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The PACE STUDENT

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No. 1



CHRISTMAS TIME draws close—Christmas time with its fragrant incense of good-fellowship, good-will, and good-cheer. Halted—at least for a fugitive moment—will be achievements, purposes, and thoughts that are ignoble or selfish. The universal heart will be unlocked, and once more the spirit of disinterested self-giving will be abroad in the land, illuminating all things human and making them in part Divine.

At this mellow time—Christmas time, through The Pace Student, your magazine, we give you the hearty handclasp of the fullest friendship. We sympathize with you in the disappointments and disillusionments that may have come to you during the past twelve-month, and in the worthy purposes that may have been cheated of immediate fulfilment, even as we, on our own behalf, crave your sympathy for similar whims of fate. We congratulate you, however, upon the success that you have won because you have deserved it, upon the lofty hopes that you have realized, and upon the earnestness of future accomplishment that you have evidenced by intelligent self-appraisal, self-command, and self-guidance.

And we bespeak for you in the days that lie ahead a keener sense of values, a deeper understanding of the things that count, a higher resolution, and a more sweeping vision than have been yours heretofore; and may all this self-development, which will fructify in the kind of success that brings happiness, find its beginning in the spirit of goodwill toward all men—the spirit of Christmas time.

NOW come the days when the manifestations of the Christmas spirit begin to work havoc in the routine of business life. The bookkeeper meditates on the comparative advantages of the toilet set and the wrist watch, and his balance goes awry. The stenographer's soulful eyes look into space and ask, "What shall it be?," and her dainty fingers go astray among the keys. And you, Mr. Employer, with mind ahalt between a diamond brooch and a Pierce-Arrow, bewail the inroads upon the efficiency of your precious organization.

My dear sir, your dismay is needless. What matters though the chief clerk's thoughts do wander with loving insistency to the mechanical train that the demonstrator assures him is "absolutely guaranteed for six months?" The moment he takes is your investment in a youngster's joy, and compensating dividends will come to you in better work for many a week to come. What though the stenographer's fingers do stumble a bit? Do you not realize that the joy of giving the dainty remembrance will bring a heart-glow and a nimbleness outlasting the fatigue of many days? Hours spent in unselfish shopping are but invested in renewed youth; the critical and philosophic inspection of toys accelerates the flow of sluggish blood; the careful study of the needs of others adds new zest to life. Youth and red blood and life-zests compose the very fibres of efficiency.

So come then, Business Gentleman, and let us be merrie in the Yule-tide. Though thoughts of dolls and sleds intrude upon promotion plans, and holly cards are jumbled among salesmen's charts, there is no loss to you. The expenditure is but a deferred charge, a cost to be carried briefly until the compensating stream of income wipes it out.

Courage **C**OURAGE is a word of the heart, pulsating with the energy of hopeful, masterful life; it is a word too, of stability, safeguarding against the fears arising from temporary emotions and sustaining the hour of enforced inaction; and, above all, it is a word of cheerful, optimistic faith, visualizing the rewards of self control and righteous effort.

Without courage, our continent would be an undiscovered waste; our homesteads, the hunting grounds of savage tribes.

Without courage, our democracy would be a despotism; our citizens, a peasant soldiery.

Without courage we should work as individuals, and the fruits of co-operative effort,

made possible by modern organization, would be the hope of the future instead of the fact of to-day.

Without courage, every hope of improving the conditions of the individual worker—more equitable distribution of returns, better housing conditions, old-age pensions, the elimination of child labor, workmen's compensation, better education, all of these welfare objectives and a thousand more—would die without fruition.

Without courage, you, as an individual, cease to function to the full measure of your capacity; your future is fore-shortened, dwarfed, clouded; your present is a nightmare, a momentary halting place between a past of unavailing regrets and a future of unavoidable dangers.

Courage, my good friend, courage! Take hope, take heart, take courage! Develop within yourself, by optimistic forward-looking, the supreme quality of courage. Resolve to do or not to do; energize your action and sustain your inaction by this emotion of the heart, this dynamic of the will, this philosophy of the intellect.

"Be ye of good courage."

"BENSLOW is a most valuable man in many ways, but he falls short of being a big man. He can't take treatment with good grace. Adverse criticism, no matter how sugar-coated, of him or his department makes him sulk, and a stiff wallop flattens him out and paralyzes his initiative." The President of a large contracting firm was speaking of one of the department heads, who was being considered for a vice-presidency.

The Business world from cupola to sub-cellar is full of Benslows. They are honest and industrious, and far more intelligent—most of them—than the average run of men. Some of them are exceptional men—men who, by dint of sheer ability, have worked themselves up to positions of considerable trust and responsibility. And there they very often stop. Why? Because they can't "take treatment," can't bear to have their mistakes of omission and commission pointed out, can't endure a jarring note in the diapason of approval which they like to hear, can't help making a narrow, individual issue out of a matter which has only organization significance.

Don't be a Benslow. Recognize your infirmity, and try to cure it by taking your medicine without flinching when your intellectual system needs a cleansing or a tonic—and be thankful; for it is in face-to-face criticism, which for the moment may rankle and smart, that certain Success often finds its beginning.

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W. SANDERS DAVIES,
C.P.A., senior member of
the New York Account-
ancy firm of Davies & Nield, is the
man in whose keeping the practicing
accountants throughout the country
have placed their interests as a pro-
fessional body for the year ending
in September, 1917.

"This is a critical time in the
history of the Accountancy profes-
sion," said a well-known account-
ant whose opinion carries weight,
before the election of officers at
the recent annual meeting of the
American Association of Public Ac-
countants in New York. "We are
going to reincorporate the Associa-
tion as the Institute of Account-
ants in the United States of Ameri-
ca; and we need as our president a
man of calm judgment, steady pur-
pose, and trusted leadership. I think
myself that Davies is the man for
the place—and it will be no sine-
cure." This was evidently the tacit
opinion of all the voting members
of the Association, for Mr. Davies
was unanimously elected the first
president of the newly organized
Institute. It was a plain case of
the office's seeking the man, for a
modesty that is almost shyness is
one of Mr. Davies's main traits.

It is appropriate—despite what
Mr. Davies himself would say self-
deprecatingly—that this honor, the
highest within the bestowal of the
Accountancy profession, should seek
out Mr. Davies. No other prac-
ticing accountant in the United
States is more favorably known
than he. For twenty-five years he
has been successfully engaged in
the public practice of Accountancy,
and during that time he has always
been an exponent of the most ex-
acting ethical standards. To Mr.
Davies Accountancy has always been
a profession in the strictest sense
of the word, and as such it has laid
upon him as one of its practitioners
obligations of view-point and con-
duct which he has always observed
with unbending strictness.

Mr. Davies was born in Liver-
pool, England, in 1862, and com-
pleted his preliminary education at
the Manchester Grammar School,
England. When a mere stripling,
he decided to become an accountant,
beginning his career in Manchester,
and later securing a position on the
staff of Monkhouse, Goddard &
Company, Chartered Accountants,
of London. After an eight years'
profitable service with this firm, Mr.
Davies came to New York, at first
setting up for himself as a prac-
ticing accountant, and later forming
with Charles F. Nield, C.P.A., a

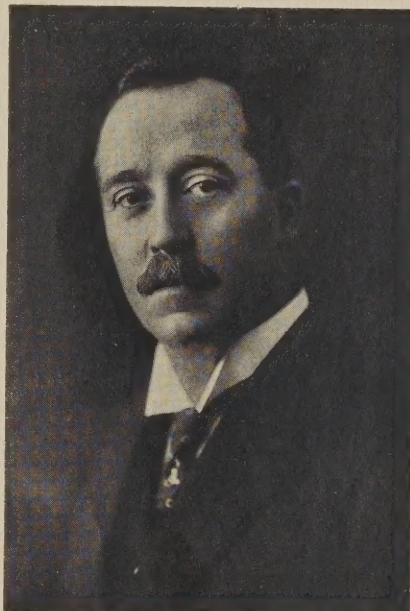
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partnership which has continued for
nearly twenty years.

Mr. Davies for many years has
devoted much time and energy to
the upbuilding of the Accountancy
profession, first in New York and
New Jersey, and then throughout
the country; and always his efforts
have been disinterested and animat-
ed by the desire to render the full-
est measure of service in the ad-
vancement of the profession.

Accountancy, as a profession, has



W. Sanders Davies, C.P.A.
*Member of Accountancy Firm of
Davies & Nield*

passed through three distinct periods
in the United States. The first
period was that of disorganization,
when every accountant was more
or less of a law unto himself, when
there were no state societies. The
second period was the period of
organization—the period when state
legislation was secured and enacted,
and when the American Association
became an association of state soci-
eties, instead of an association of
individuals. The third period is now
beginning with the incorporation of
the Institute of Accountants—a defi-
nite step upward in professional
status and purpose.

In the evolution of the Account-
ancy profession, there were, espe-
cially in the early days, times when
stout hearts were inclined to quail,

when the calm faith of the far-seeing
mind bade fair to be shaken, when
steadfastness of purpose seemed
likely to be of little avail. In pass-
ing through this critical stage of the
history of his chosen profession,
Mr. Davies never swerved in his
conviction that sooner or later Ac-
countancy would receive state rec-
ognition as a profession, and that
entrance into its ranks would be
considered entrance into one of the
most useful of occupations. How
completely Mr. Davies' judgment
and that of his professional associ-
ates in the early days have been vin-
dicated, is now attested by the in-
corporation of the new Institute of
Accountants.

It is not surprising, therefore,
that honors and distinctions have
rewarded Mr. Davies' faith and
judgment. He has been a member
of the New York Society of Certi-
fied Public Accountants practically
since its organization, and is now
its Second Vice-President. He was
a member of the committee that se-
cured the enactment of the New
York C.P.A. Law. Mr. Davies is
also a trustee of the New Jersey
Society of Certified Public Account-
ants, and was formerly its Presi-
dent. He was a member of the
American Association of Public Ac-
countants practically throughout its
existence, and was its President
from 1897 to 1898.

If there is any one phase of Ac-
countancy in which Mr. Davies is
especially interested, it is its edu-
cational phase. "The Accountancy
field is practically without limit,"
said Mr. Davies to me a short time
ago. "The need for accountants is
being more and more widely recog-
nized. In fact, there is a bigger de-
mand for well-trained men than can
be supplied; and by 'well-trained' I
mean men who understand the fun-
damental principles of Accountancy,
and who have a broad view of Busi-
ness as a whole. Practice, of course,
is the most important thing, but it
is not everything. A man must be
well-grounded in theory, and he
must keep studying if he expects
to attain any degree of proficiency
in the profession of Accountancy."

It is pretty safe to assume that
Mr. Davies, in view of his intense
interest in education for Account-
ancy, will work in close coopera-
tion with the newly appointed Ed-
ucational Committee of the Insti-
tute, to the end that a premium
shall be put upon educational fit-
ness for the public practice of Ac-
countancy, and that thoroughly test-
ed and well-defined courses of study
shall be made available to ambitious

**Who's
Who**

*Biograph-
ical
Sketches
of Men of
Affairs*

*First
President,
Institute
of
Account-
ants*

John T.
Kennedy,
LL.M.



GOODWILL is often the Gungha Din of corporate organizations. This parallel

is not confined to goodwill as a medium for injecting water into thirsty stock. Like the water carrier of Kipling's famous bal-

lad, if not needed, it is usually discarded, and, if needed, it is likely to be abused. Should it prove of true worth, should the trade it represents materialize, with consequent profits, then a conservative corporate management is apt gradually to write it off the books or negative its presence by the creation of a surplus on the other side. Inversely, if it does not prove of true worth, if the trade does not materialize and losses ensue, then a failing corporation will cling to it with a drowning hold.

Good-Will Goodwill is usually introduced into corporate accounts by the sale of a business to the corporation. Not infrequently the owners of the business sold become the controlling stockholders of the new corporation. To cover the difference between the amount paid them for the whole business and the worth of its tangible assets, a goodwill account may be created. Stock remaining, if any, is ordinarily sold to the public.

An extension of this use of goodwill was devised by a corporation organized in a state noted for inventions—Connecticut. The new expedient was to include goodwill in a pattern and scales account. Since credits were not made covering depreciation of fifty per centum on the value of the patterns during two years after the corporation began business, probably the inventor of this account supposed that the goodwill automatically expanded to make up the difference. Unfortunately, however, when the question came up in a receiver's suit to recover dividends illegally paid, the court did not take this view.

Another question which arose in connection with the accounts involved a deferred charge. The court spoke of this as being an amount expended at an exposition for advertising purposes which was carried in as an asset. Since it is the practice of business organizations often to charge unusual advertising expenses over a number of years, rather than entirely against the profits of the year in which they are incurred, the court's ruling is of interest:

"This expenditure may or may not have increased the business of the corporation, but the court (i. e., the lower court) failed to find that as an asset it had any value. This is equivalent to finding that it had none at the time and ought

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not to have been included among the assets."

The first of the two questions decided, that of depreciation, more frequently arises in connection with public service corporations. The public service corporation may have an agreement with the state, city, or other community, whereby a certain proportion of the annual profits are to be paid to the government of the political unit involved. The guardians of the public welfare, for many reasons, desire these profits to be as large as possible. Since they do not ordinarily worry over such a trifle as depreciation in the property of the state or city governments, they see no reason why a corporation should. The corporation, however, is averse to paying over to the community what approximates its capital. Invariably the courts decide that depreciation must be deducted in determining net profits.

There are other cases in which public service corporations have been compelled to share the profits as they exist before a deduction is made for depreciation. These cases are founded on the wording of the agreement between the parties wherein the intent is construed as having been that depreciation was not to be deducted.

The second of the questions, that of the deferred charge, does not arise frequently. Nevertheless, I was recently questioned on this point in connection with a profit shown on a corporation's books which was not equal to the amount of the deferred charges. In view of the tendency of courts to scrutinize closely any other than actual asset values, I suggested that it would be the more conservative policy not to declare dividends exclusively on the basis of a gain of this character.

Inflating asset values is not a question of the time of inflation. Failure to charge off proper depreciation is an inflation after the corporation begins business, instead of at that time. The rule seems to be established that a corporation must maintain its original capital at its true worth before dividends may be declared. Furthermore, courts closely question values on the asset side of an intangible nature, including goodwill, trade-marks, patents, and deferred charges. (Case reviewed, *Davenport vs. Lines*, 72 Connecticut 118.)

YEARS ago, in England, an eccentric old man burned the midnight candle-grease figuring how to leave his property so that one of his descendants of a distant generation might own all the wealth of the world. He then made a will withholding the estate from his heirs for

Knowl-
edge of
Law

(Continued)

several generations, the profits of each year to be reinvested, and so on with the profits on the profits in a sort of endless chain. The

will was contested, and for sixty years or more went the rounds of the courts. In the end the contestants won and divided between them the handsome sum of \$28.10.

Often in litigation neither side truly wins. Unnecessary litigation is an economic waste, which a joint committee of the New York State Bar Association and the New York City Chamber of Commerce is seeking to check. The uninitiated may regard participation of lawyers in this movement as a killing of the proverbial goose. But times have changed since lawyers sang that old song which wound up:

"Pull up your chairs and light bumpers fill,
To the jolly testator who makes his own will."

Modern lawyers favor the consulting branch of the law and recognize that needless law suits can be avoided only by substituting consultation for litigation.

Business men agree with them if the replies received by the Committee from leading captains of industry may be accepted as a criterion. Lewis E. Pierson, Chairman of the Board of Directors of the Irving National Bank, answered that formal legal instruments and also contracts should be drawn by competent lawyers. He added that all agreements should be reduced to writing, that counsel should be consulted to clear up uncertainties, and that more time and attention should be devoted to an investigation of the other parties to a contract before any business relations were concluded.

Four-fifths of the cases coming before the arbitration committee of the Produce Exchange, declared Welding Ring, for many years a member, grew out of the careless manner in which contracts had been drawn. "Parties are so apt to forget just what their intentions were," he remarked, "or conditions may change and their views change with them, but if all particulars are stated definitely in the contract, then there can be nothing left for disagreement."

Alexander C. Humphreys, of Humphreys & Miller, Consulting Engineers, wrote that he had arranged for the graduating class of Stevens to have a short course of lectures from a prominent, common-sense lawyer to "impress upon them the necessity not only of appealing to an expert in law, but also to impress upon them the necessity of being careful in the selection of that expert."

The remedy lies in, first, more frequent con-

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sultation of the lawyer, and second, knowledge by business men of the principles of business law, so that they may (a) know when to con-

sult a lawyer, (b) know how best to present to the lawyer important facts respecting a given transaction, and (c) have some logical basis upon which to judge the ability of the lawyer consulted.

CONTRACTS of employment frequently involve interesting questions under the Statute of Frauds. One of these is contained in a letter received by The Pace Student. In part the letter reads: "A gets hurt in an accident. He makes a settlement with the understanding, which was given orally, that he will receive a position. Could A hold the party on the contract?"

If the question "Can A hold the party on the contract?" means "Can he compel specific performance?" the answer is in the negative, for the reason that, if it be a valid contract, money damages would compensate for the breach.

The validity of this contract depends upon whether or not the law requires it to be in writing. On this point the statute provides that all contracts which cannot be performed within one year from the making thereof must be in writing. This provision is so construed that if by any possibility the contract may be performed within the year, it will be held valid. If by the happening of a contingency, such as death, the contract would be performed, then it need not be in writing. There is a distinction between the performance of a contract, and its termination, by virtue of a contingency. Should the contract be merely terminated, it is void. Hence, to answer the question fully, it is necessary to consider whether this contract was:

- (a) For a specified length of time longer than one year;
- (b) For an indefinite period of time;
- (c) For the life of the person who was injured.

Assuming the contract was for five years, it would be void, for death within the year would terminate it and would not result in performance. It must be remembered that the contract dates "from the making thereof." Even though the term of service is for one year or for a shorter period of time, if the term ends beyond one year from the making of the contract, it is void. Should a contract be for exactly one year from the date of making, it is held valid.

Another class of contracts consists of those

Contracts
of
Employ-
ment

PLEASE explain why Treasury Stock is treated as a reduction of Capital rather than as an asset on the Balance Sheet. I have in mind a statement of a well-known authority, as follows: "Stock which has been issued and is later acquired, either by gift or purchase, is known as 'treasury stock' and should appear on the books as an asset. It represents property of more or less value and is not a deduction from the outstanding capital stock unless it is retired by due process."

In the August issue of *The Pace Student*, on page 143, you state as follows: "It should be noted that the Treasury Stock and Treasury Bonds are not assets, and should not appear as such on the Balance Sheet, but should be deducted on the liability side from the authorized capital stock and authorized bonds."—J. T.

A In the event that a corporation lawfully acquires its own stock, we have, in the absence of a cancellation and retirement of the stock by formal process, a condition in which the corporation holds its own formal capital stock certificates. These certificates are commonly known as Treasury Stock, and, pending their cancellation or sale, it is proper to record the stock in a ledger account which will appear with a debit balance. So far, no doubt, we are in agreement with the authority you quote.

When the Treasury Stock is retired by due process and cancelled, we debit Capital Stock and credit Treasury Stock. The ownership of values, i. e., assets, is exactly the same after the cancellation as it was before. Real asset value would not be destroyed by this procedure.

If cancellation of Treasury Stock does not extinguish asset value, we must conclude that the Treasury Stock before retirement was not in itself asset value. In fact, it is merely an offset to an equal number of shares recorded in the Capital Stock account.

In the event that the stock is sold, a different condition arises. Asset value presumably is received by the corporation, and we have an additional amount of outstanding stock. This is a very different situation from the one which exists immediately before the sale, in which the Treasury Stock is merely a formal evidence of proprietorship interest entirely under the control of the existing proprietorship.

To state the proposition in other words, the outstanding Capital Stock represents the ownership of the net asset value of the corporation, and, together with the surplus, it must equal the excess of the assets over the liabilities. To include in the assets an amount representing own-

ership in those assets would unquestionably be a duplication. Ownership in the corporate fund of assets, cannot logically be considered

as a part of that fund. Otherwise, we must accept the inconsistency of a thing representing ownership in itself. In brief, Capital Stock cannot at the same time represent both ownership and the thing owned.

Practically the same reasoning applies to Treasury Bonds. A bond of the ordinary type is a negotiable instrument. For the sake of simplicity, therefore, let us reduce the problem to its fundamental aspects. Let us assume that you take the form of a promissory note and fill it out so that it reads that you promise to pay to bearer \$1,000,000 one year from date. You then hold the note in your own possession. What entry? Possibly if you had a real intention of negotiating the note, you would want to record it in some manner. In that event you might call it a Treasury Bills Payable and debit an account raised under that name for the amount of the note and credit an equal amount to Bills Payable. Is the item of \$1,000,000 an asset? If so, why not make it \$5,000,000 or \$10,000,000?

The same condition holds with a corporation. Bonds, subject to certain restrictions as to amount, may be issued. After formal authorization they are signed and sealed, after which they are ready for delivery if sold. We ordinarily speak of the bonds being issued when they are thus ready for delivery. It is necessary to record the bonds and to guard them carefully for the reason that if they come into the wrongful possession of any person from whom a purchaser acquires them in good faith, they are valid in the hands of such purchaser against the maker. Therefore, extra precautions must be taken to guard them. Nevertheless, whether bonds are part of an original issue or whether they have been returned after once being sold, they are, in theory, an offset to an equal amount of liability recorded in the accounts. Treasury Bonds on the debit side are an offset to the bond liability on the credit side.

The confusion arises in both instances from anticipating a condition that may arise. We are willing to agree that Treasury Stock in many instances can be sold and a real asset may be secured in exchange therefor. The same can be said of Treasury Bonds. There is, however, a fundamental difference between the financial condition before and after such a sale. In our treatment, for the purpose of financial display, we recognize the difference while still display-

Question and Answer Department
ing on the balance sheet every item that the other method discloses. Practically, the display of the Treasury Stock on the asset side of the Balance Sheet works no serious harm, for the real situation is clear enough to anyone who relies on the Balance Sheet for information. However, as a matter of strict theory and technical display, there can be no doubt of the correctness of the position we take.

(Continued)

Q In case it is customary to charge incoming freight on machinery to the Machinery Account, and a machine is received by express, the charges being about six times that of freight or perhaps more, is it proper to charge a proportionate amount—figured at the freight rates—to the Machinery Account and the balance to a Miscellaneous Incoming Transportation Account?—J. F. B.

A As a fundamental principle of accounting, we capitalize items at their cost. Ordinarily we interpret cost as the amount necessary to place the things we use in our possession. We, therefore, add to the purchase price all necessary carrying charges incident to bringing the article to a place where it can be used. If we attempt to set up an arbitrary amount other than cost, we find ourselves immediately in a sea of difficulty. We have to differentiate between transportation, and say that a different principle applies depending on the means of transportation, that is, whether the article is carried by pack mule, by canal boat, by freight train, or express train. Again, a piece of machinery might be bought at an unusually high price, due to the fault of the buyer or to abnormal conditions. In such an event we could hardly expect to charge the excess cost to operation. Inversely, if we bought a machine at a very favorable price, say 40 per cent. below the normal price of the article, we would hardly be justified in crediting up the theoretical saving as an income. In all of these matters it is impracticable to set up a theoretical value to be used instead of the actual cost value. Throughout all accounting, in fact, we adopt the cost value as the basis of capitalization; and, everything considered, no better rule can be found.

We must recognize the fact, however, that certain of these assets after acquisition will stand upon the books at an undesirably high value. Our recourse in such a case is to set up a reserve for depreciation sufficiently large to reduce the value during the early life of the asset to a reasonable basis. In this way we would meet the situation which our questioner

has in mind, and we would not violate a principle of accounting which is essential to the current statement of facts.

We are especially pleased to have had this question raised because of the far reaching importance of the principle involved. Clear thinking on fundamental matters of accounting principle and technique, however, can bring us to no other answer than the one given.

Please explain what is meant by the term "issued." I thought "issued" meant that the stock, etc., had been disposed of. However, as you use the term in the quizzer on Lecture VIII on Corporation Accounting it is evident that I am wrong, for you state as follows:

"For the purpose of acquiring this industry, The National Gas Company was organized April 1, 1899, with a capital of \$100,000, and after purchasing all of the stock the American Company issued \$100,000 of first mortgage 6 per cent. gold bonds, dated April 1, 1899, due April 1, 1929, interest payable January 1 and July 1 of each year."

Later you state, "The National Company used all of its capital and \$90,000 first mortgage bonds, holding in reserve \$10,000 of bonds for improvements."—J. T.

A Bonds, when signed and sealed are considered to be "issued." Delivery must take place, however, before a liability attaches. In speaking of capital stock, the common practice is to include delivery in the term "issue." Stock is not so likely to be held in suspension between the execution of the certificates and delivery. This practice accounts for the use of the term "issued" in the proposition, which, by the way, is taken from a C.P.A. examination.

A manufacturing concern produces two products, which are in no way related as by-products; that is, the method of manufacture of one is entirely distinct and separate from the other. The cost of the raw material can, of course, be kept separate, as can the manufacturing and shipping costs. However, both products are handled by the same selling staff; they are sold to the same trade; their costs are not nearly equal:—the cheaper product at the present is the easier sold, not because it is a substitute for the other, for it is not. The two articles have entirely different uses. Can you suggest a way of arriving at a fair basis for dividing the selling cost between the two articles?—H. E. W.

A If the actual cost of selling each of the two products can be determined in any definite man-

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A COMMON inquiry on the part of students who live in cities or in country districts where little opportunity is afforded for obtaining practice with Accountancy firms, is "How can I secure experience in Accountancy practice?"

It should be understood that Accountancy in its present development in the United States is confined very largely to the principal cities. New York, of course, has a greater number of practicing accountants than has any other American city, although Chicago, Philadelphia, Boston, and a number of other large cities have a considerable group of professional accountants. In each of at least fifteen or twenty of the principal cities of the country the practicing accountants are strong enough to maintain a professional society for the discussion of their problems, and for the promotion of the interests of Accountancy in general.

In view of these facts, it becomes necessary for the prospective accountant to select a city in which to secure his professional practice. This practice should be sought with a firm of accountants of standing, and the prospective employee should look as much to the training to be secured as to the financial returns that he will receive during his probationary experience. New York affords the widest selection of firms with whom employment may be secured. It therefore attracts a large number of young men who find it necessary to move to a city to secure the coveted experience.

Positions in an Accountancy office can rarely be secured by long distance communication. Employers almost invariably insist upon meeting their prospective employees for a personal interview. This is true, aside from other reasons, because each employee to a considerable extent represents the employing accountant in professional matters. General education, good personality, and professional appearance are very essential, and these matters cannot be judged satisfactorily without a personal interview.

The prospective employee, therefore, should arrange to come to the city for the purpose of securing a personal interview. He should be able to take care of himself without regard to income from employment for a considerable period of time, six or eight weeks at the least. It often happens that employment can be secured in a very short time, especially at busy seasons of the year, but, on the other hand, weeks may elapse before a favorable op-

portunity is secured. Of course, if the young man possesses exceptional academic education, and has a good personality, and in addition is a graduate of a recognized Accountancy course, his opportunities are much better than if he does not possess these advantages. Business experience enters in to a considerable extent, for the reason that a prospective employee who has managerial and other organization experience is apt to develop much more rapidly than a young man without qualifications of this nature.

To sum up the matter, the young man who must change his location in order to secure accounting experience, should secure all possible academic and educational development before making the change. He should then come to a city that affords a wide range of selection, and he should be prepared to maintain himself until he is fortunate enough to secure a position. During the first year of employment he will usually be able to earn from \$800 to \$1200, depending upon his education and experience; and financial returns of this amount should look especially good to him when comparison is made with the returns of the young lawyer, or of the young physician during the first year or two of his practice. Planning and courage are required to carry out this part of the program of development as a professional man, but the way is clearer and the hardships less in Accountancy than in the case of any other profession.

THE American people rank last in thrift, according to J. Lionberger Davis, Vice-President of the St. Louis Union Trust Company, who addressed the Convention of the National Association of Life Underwriters in St. Louis recently.

"It is significant," he said, "that in the United States where wages are notoriously high, only 99 people of each 1,000 have savings accounts, whereas in Australia there are 300, in England 302, in Germany 317, in France 346, in Belgium 397, and in Switzerland 554. It is also significant that in Germany, France, England, and Japan, the number of depositors is greater than in the United States, and that in Germany the aggregate amount of savings deposits is almost as large as the aggregate in the United States, al-

though Germany's population is only about two-thirds as large as our own.

"Banks and insurance companies are performing services that are educational in every sense of the word and are doing more than a thousand times more than any other agency to reduce poverty."

THE fact that an increasing number of college men are being won from professional pursuits by the allurements of business and industry, was stated by Ernest Martin Hopkins, in a speech which marked his installation as the eleventh president of Dartmouth College.

"In training for leadership, the influence of the college in years past, unconsciously perhaps, has been to set college men apart in the communities in which they lived," said Mr. Hopkins.

"The requirement now is emphatically the reverse. The change has been wrought very quickly, and the men now going into the professions from our colleges are far outnumbered by those seeking the newer career.

"We have as a people specialized so completely in recent years on claiming rights that our senses of obligation and responsibility have become atrophied. Authority has been weakened not only in State and Church but in home and school, until it commands less respect even than obedience. Amid all this somehow the conviction has begun to grow that dilettante philosophizing about rights and claims to opportunities which have not been earned offer too little compensation to constructive accomplishment for what society is called upon to sacrifice in the character of the individuals who compose it, through their being so little called upon to acknowledge any authority of any kind whatsoever.

"Development of our national life has been shown to be far short of the standard to which it was supposed to have attained, and in many of our attributes we have been proved more a group of people than a nation."

B. A. DUSENBURY, of Cobleskill, N. Y., Pace Institute of Accountancy, Extension Division, has joined the staff of A. S. Fedde & Co., Certified Public Accountants, 55 Liberty Street, New York City. Mr. Dusenbury was formerly connected with the Farmers & Merchants Bank, Cobleskill, N. Y., and has been acting as deputy treasurer of Schoharie County, N. Y.

W. Sanders Davies C.P.A. young men desiring to obtain success as practising accountants. Busy as Mr. Davies is with the many problems of his own highly successful firm and with the affairs of the Institute, he has time for a cheery greeting and a warm handshake for all who wish to have a face-to-face word with him, whatever their business. Since he is a man who in appearance and manner shows that he likes his fellow mortals and trusts them, it is but natural that they in turn should like and trust him, and delight to do him honor.

(Continued)

Railroad Scholarships

ANOTHER evidence of the high value placed by corporations upon the practical education of their employees is seen in the recent action of the Pennsylvania Railroad in awarding scholarships to the children of certain of its employees.

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Officials of the railroad recently announced that the Frank Thompson scholarships, established in memory of a former president of the road, had been awarded to Frank Leslie Campbell, of Philadelphia, and Willard Bryant Hafford, of Columbus, Ohio. The scholarships were established in 1907 by Mr. Thompson's children.

The purpose is to enable children of deceased or living Pennsylvania employees to obtain a technical education. Campbell, who is seventeen years old and a graduate of the West Philadelphia High School, is the son of A. J. Campbell, a draftsman in the Philadelphia terminal division. Hafford is twenty-

three years old and was graduated from the North High School, Columbus. His father, J. W. Hafford, is dead.

Nineteen applicants contested for the scholarships; eleven from lines east of Pittsburgh, and eight from lines west. The scholarships go to the contestant in each division having the highest average.

LOUIS SEVRIN, Newark School of Accountancy, who was formerly employed as Assistant Credit Manager by Schwary & Son, has been engaged as Cost Clerk by the Sackett & Wilhelm Company.

EDWIN A. PALM, Pace Institute of Accountancy, has been engaged as General Bookkeeper by the American Chiclé Company. Mr. Palm was formerly employed by the Hudson Trust Company.

Your Market Value

What is your market value in Business? Suppose the concern you are now with should go out of existence or should be consolidated with another, and you should lose your present position. Suppose you should be asked to resign for or without a reason. Suppose, being dissatisfied with your work or with your prospects of advancement, you should desire to make a change on your own initiative. Where would you go? What would you do? What could you earn? How big a demand would there be in the open market for your experience in Business and your knowledge of Business?

What is the source of market value in Business—what produces it? You will agree that it is knowledge—knowledge that finds expression in a mastery, not of the details of a particular business, but of the fundamental principles and processes that underlie all Business; in the power to take a broad view of the application of these principles and processes; and in the ability to think and reason about them consistently and logically.

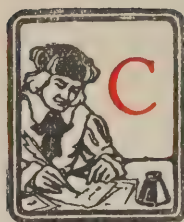
In order to secure knowledge and thereby develop market value, you must utilize your personal overtime in the study of subjects that will give you a controlling grasp of Modern Business as a science—the subjects of Organization, Management, Finance, Accounting, Law, and Applied Economics. The general subject that covers these specific and allied subjects is Accountancy and Business Administration.

The Pace Standardized Courses in Accountancy and Business Administration, which are conducted in 61 schools in 47 of the most progressive cities in the country, have developed and are developing the market value of hundreds of young men and women by equipping them to become either Certified Public Accountants or the holders of important executive positions in private organizations.

New classes will be formed in January and February, 1917. Full details and descriptive pamphlets are available upon request. Ask particularly for the stimulating brochure, "Your Market Value," by Horatio N. Drury.

PACE & PACE

Pace Standardized Courses in Accountancy, Business Administration, Oral Expression, and English, in Residence and by Extension
30 Church Street New York



CASH is an asset that we may properly approach with mixed emotions—with respect, with some caution, and with considerable affection. We respect it in the business organization for the independence of

Cash

action that it assures. A concern strong in cash can buy well and sell when it chooses; it can take advantage of every economy to be secured by the purchase of suitable equipment and the employment of proper help; and it is the one final and complete defense against commercial disaster and insolvency.

We should view the asset cash with caution because it is the asset most subject to attack. Of all assets it is the most attractive to the thief and the embezzler, and extraordinary precautions must be taken to protect it. It must also be safeguarded against the attack of honest but energetic persons who wish to possess it in exchange for assets that may be slow or unprofitable in realization and for services that may be grievously overvalued. In fact, cash is so difficult to control and retain that a man not seasoned by long commercial experience may easily lose it without receiving the benefits which it should command.

Finally, and for very personal reasons, we view the asset cash with affection. It is the token that commands the theater ticket, the fall overcoat, the good lunch, and the six-cylinder automobile. The jingle of coins is pleasing to the ear, and the yellow and green in the wallet is soothing to the eye. We like the root of all evil.

Vivé cash!

A QUESTIONNAIRE, my dear sir, for your personal and confidential use:

Questionnaire

Am I selling my services for a satisfactory price, satisfactory in view of the ability I possess and the market available? Do I exchange my salary or other returns wisely and economically for the things I need? Do I save a bit for the rainy day? Am I developing my ability in a way that will have a vocational effect? Allowing for a reasonable amount of discontent which, as an aspiring man, I may legitimately have,

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am I happy in my work? Am I doing my share and a little more, as a son, a brother, a husband, a neighbor, a citizen?

If a negative creeps in, take thought as to a remedy. Real, joyous living requires an affirmative on every point.

DON'T be a second-hand thinker, especially upon matters appertaining to Business. If you borrow a thought, an idea, a plan, a scheme, a method from somebody else, and forthwith try to put it into effect without mauling it over with your own mental faculties, you become a second-hand thinker, a second-rate thinker, a thinker that doesn't think.

Second-hand Thinking

Borrow brain products from anybody, anywhere, to-day, to-morrow, and all the time, for borrowing and appropriating are of the essence of real education, real development. But don't stop with the borrowing; scrutinize what you borrow through the eye of the discerning mind; weigh it carefully in terms of your own knowledge; modify it and improve it to suit your own needs and purposes, discarding what is irrelevant and retaining only what you can use and apply. Regard every thought or idea, no matter how peculiarly the grist of somebody else's mental mill, in the nature of a personal discovery.

Thus, that new selling plan that you hit upon, that new accounting system, that new advertising method, that new collection scheme, can be made to work, to serve your ends. Unless it will do this very thing, you want none of it anyway. Don't be a second-hand thinker.

Business Tools

IN each succeeding generation new conditions arise and the tools of commerce are changed. The young man of this generation seeks success and strives for the best means of attaining success as did his father before him in a business generation that is gone, but he confronts different combinations, different tendencies, and different physical conditions. The business morality of a former generation is revamped; the attitude of government to business is changed; and the equipment with which he must work bears

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little resemblance to the equipment that aided his father in his commercial battles.

It always seems, in view of the struggle of the hour, that all the golden chances for success have passed by—that the opportunity for profit and honor is small in comparison with the opportunity of yesterday. The thoughtful young business man, however, is compelled to dismiss this idea, because he has around him the Fords and the Woolworths of today, who are achieving startling successes, just as the Rockefellers and the Harrimans achieved the business successes of yesterday.

Success, in fact, comes to men of every generation in every country. A few of the successes come through special privilege, or blind luck, but by far the greater number come to men, who, with clear-headed energy, meet the necessities and conditions of the business generation of which they are a part. The production of a reliable and low-priced motor car, the manufacture of a satisfactory sound reproducer, the improvement of the moving picture, the establishment of retail stores dealing in merchandise in low-priced grades and qualities—all these are but successful answers to insistent business demands of to-day.

We must conclude, therefore, that successes are waiting to be won, but that to share in the business success of this generation we must meet the conditions of to-day and to-morrow by means of the use of the tools of to-day and to-morrow. The most important tool—scientific knowledge—is available to the average young man by means of the proper utilization of his spare time. With the issues thus squarely put before him, it is but a question of his ability to grasp the situation and of his energy to meet it.

OUR automobile editor says: It does not pay to adjust the carbureter when the motor is pulling well. Many energetic housewives lose their maids because they cannot refrain from managing when management is not needed; likewise, many a business has been wrecked because the proprietor could not let well enough alone.

Conservatism

THROUGHOUT all commercial transactions wherever and whenever doubtful matters are to be decided, a conservatism should be practiced that amounts almost to a universal principle or law—a principle that operates as a Safety First measure to the business enterprise. If depreciation is to be reserved, it is safer to overestimate the amount than to underestimate

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it. It is better to scale down inventory values than to write them up. It is better to over-anticipate losses in the collection of accounts

receivable than it is to underestimate them. If a dividend is to be paid, safety lies in making the payments too small rather than too large. In a thousand instances, of which the ones given are typical examples, we should invoke the principle of conservatism. Do you understand and practice this fundamental principle of business success?

YOU find him everywhere—the faultfinder. To him everything that is, is wrong, partly wrong anyway. He complains of the office layout, of the poor light, of the noise that jars his nerves, of the way the telephone girl answers and gives calls, of the amount of work he has to do, of the meager salary he gets, of the pull that other fellows have, of the inefficiency of the selling staff, of the mistakes in business policy by the officers and directors. Every large office staff has its habitual faultfinder who is everlastingly “blocking the path of progress, scattering the seeds of distrust, poisoning the minds of those who listen, marshalling the forces of unreason, casting shadows on the sun, dimming the light of the stars, and mocking the hopes of humanity.” Away with him!

The
Faultfinder

DO you say you are “tired of working for the other fellow? All right. We suggest a remedy for that tired feeling. Pretend you are the boss. You are working for yourself. You, as “boss,” look over yourself, as “clerk.” Inspect your work. Make a list of the things you have done better than they were done before. Scrutinize your efficiency. Be candid in your judgment, and see whether you will promote yourself, or fire yourself and hire some other fellow.

Your
Own
Boss

“SIMPKINS is too big a man to prove the receivables,” remarked the boss as S. strolled in with a cigar after a two-hour lunch. “He ought to be running a railroad or a trust company. I am not going to stand in his way, either, at least not after 1 p. m. Saturday next.”

*Lack of physical exercise makes the muscles flabby.
Lack of mental exercise makes the brain soggy.
Keep fit physically and mentally.*

Some men are missing—pulling their load with five cylinders and missing with the sixth. Do you “miss” on courage, energy, optimism, stability, or any other essential quality?

Restaurant Costs

Homer S. Pace,
C.P.A.



THE advance in the cost of food supplies brings many professional problems to the accountant for solution, to say nothing of the personal one which he confronts in keeping his own larder well stocked with the necessities of life.

Especially in giving advice in respect to the management of a restaurant—whether that trouble-producer is operated as a department of a hotel or is one of several activities of a club or an institution, or is operated as an independent commercial venture—the heavy increase in the cost of the supplies used raises many questions in respect to prices to be charged, the size of portions to be served, the dishes to be featured, and the qualities to be used. The problem is not quite so pressing in the case of a hotel or institution in which a restaurant loss may be offset against income received from some other source, but in the case of the independent restaurant the very continuance of the venture is dependent upon a satisfactory treatment of these problems.

In analyzing restaurant results the first thing to determine is the relation between food costs, i. e., the cost of the food as it is delivered in the kitchen, to the income. To the layman the percentage that the cost of food bears to the income is surprisingly high. In commercial restaurants the cost of the food is apt to be 50 per cent., or even a greater percentage, of the income, while in an institution or club the cost of the food, even under good management, is apt to run 60 per cent. to 70 per cent., and in some cases even higher. The percentage is dependent, of course, to a considerable extent on the schedule of prices charged, and it is, therefore, necessary to determine what the percentage should be in the particular restaurant. Thus, it may be the policy of a club to maintain rather a low schedule of rates, in which case the percentage of food cost would naturally be higher than would be the case with normal commercial charges for the food served. In any event, a percentage that measures a reasonable relation, taking into account the prices of food, the rates charged, and the portions to be served, must be established as a measure against which results may be obtained. Thus, in a group of related institutional restaurants, a percentage of 65 per cent. was obtained as the reasonable percentage that the cost of food supplies might bear to the income.

After the determination of a reasonable percentage, the restaurant manager should watch the relation between cost of food and income

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closely. If the percentage of food cost rises, he knows that it must be due to one or more of the following causes:

1. *Increased Purchase Price of Food Used.* The increase, as is now commonly the case, may be due to a general advance in the price of commodities. Nevertheless, no matter what the current prices may be, there is a possibility of a heavy percentage of excess cost due to poor buying. Supplies may be bought in small quantities from day to day. The steward or other employee may buy from a very few concerns without any attempt to shop for favorable prices, and there is a possibility of graft by reason of placing orders with particular concerns. These matters must all be taken into account and studied, especially when prices are advancing, for the management is too apt to accept all of the advance as due to the advancing state of the market with which he is familiar.

2. *Theft or Waste of Food Supplies.* A very common cause of an increase in the percentage is the theft or waste of the supplies after they are received in the kitchen. This element of loss is controlled to a large extent by a proper system of stores, involving the detailed checking in of goods as they are received, and the issuance of the supplies, wherever practicable, on requisitions. An inventory of the supplies should be made at least once a month, in order to determine the actual cost of supplies used. This inventory is facilitated by the proper kind of a stores system.

It must be borne in mind that certain kinds of food supplies cannot be handled on requisition with the exactitude that is possible in handling factory stores. This is especially true in respect to milk, cuts of meat, chops, and the like, which are apt to be bought in quantity and used as needed. It does not apply, however, to canned goods, bottled goods, and a greater part of the dry groceries.

In a large restaurant there must be in the accounting records an analysis of the cost of supplies into enough classifications to enable the increased cost to be traced to a particular kind of supplies. Thus, a classification may be kept for cream and milk, another for fish, another for poultry and game, and so on. A suitable classification localizes results so that increases from whatever cause may be located.

In addition to all accounting precautions and aids there must be efficient supervision to prevent operating loss. The management must make effective use of odds and ends, and there must be the disposition on the part of the chef

Percentage

and his assistants to economize and to prevent waste.

3. *Carelessness in Serving Portions.* Effective restaurant management requires that definite amounts shall be allotted to portions, and that care shall be exercised that these amounts are not exceeded. The amount served in a cut of beef, for example, may be increased 30 per cent. or 40 per cent. by mere carelessness in carving, and the same fact holds true in respect to many other portions that are served. Care must be taken, therefore, to determine proper portions, and supervision must be exercised to see that these portion sizes are maintained just as closely as is practicable.

4. *Menu and Prices.* A great deal depends upon menu and the relation of the prices charged for the various portions. A dish in which the food cost is low, as is often the case with a ragout or stew, may command relatively a higher price than a dish in which the food cost is high, such as roast beef. The menu should be designed, therefore, to contain as large a proportion of profitable dishes as practicable, and these dishes should be featured by a special type and in other ways, so as to deflect the patronage to dishes in which the percentage of food cost is low. It should be remembered that the final percentage of food cost to income averages over all of the dishes. Good management, therefore, requires that the portions with low food cost should always be sold, if possible, in preference to the portions with high food cost. Theoretically, the prices charged should always give due weight to these differences, but as a matter of practice it is not always possible to charge the price that a dish should really command. A good restaurant manager, therefore, always gives serious consideration to the menu, not only from the viewpoint of providing appetizing foods, but from the viewpoint of cost.

5. *Incidental Cost of Food Supplies.* In nearly all restaurants there are a number of food supplies that are used incidentally—bread, butter, sugar, cream, catsup, and the like. So far as custom will permit in the particular class of restaurant, these items must be placed on a charge basis. A notable instance of this has been the recent action on the part of dining-car service on railroads to make a charge for bread and butter. In practically no dining car is bread and butter served without a ten-cent charge. This practice has not been found generally applicable in restaurants, although it has come into practice to make an extra charge for cream when it is served with coffee, and for all relishes, such as pickles, olives, and celery.

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The restaurant manager, may, however, adopt various means to economize in the use of incidental food supplies. Thus, if one piece of butter is served at a time, and the guest must secure additional butter from a waiter, the cost for butter in a restaurant will be less than if a plentiful supply is made available to each guest. The same is true in respect to bread.

In the case of special sauce and relishes, such as chili sauce, tomato catsup, and Worcestershire, they should be held in reserve by the waiter and supplied only upon request. Nearly every guest will use relishes of this nature if they are placed on the table, while only an occasional guest will think of a relish and ask for it specifically. As an aid to economical management, therefore, the practice is as stated, to keep these special relishes in reserve.

In all of the matters incidental to food cost there is an opportunity for considerable saving without in many cases unduly limiting or affecting the patronage. Of course, the general nature and policy of each restaurant must be taken into account in working out a policy in respect to the incidental food supplies.

An analysis of the cost of food must take into account all of the foregoing factors. If a proper accounting system is in operation that provides for inventories and for proper classifications of food costs, the results can be presented in statements and by charts in such a manner that the management can supervise much more closely and effectively than would be the case without proper accounts. In any event, the real cost of the food used must be studied in relation to income, and such an analysis must be made of the cost as will enable the management to locate losses due to ineffective buying, theft, or waste, to carelessness in serving portions, or to ineffective planning of menus and the prices to be charged.

The accountant has not by any means exhausted the field of study when he has analyzed the situation and determined facts in respect to all of the foregoing matters. He still must consider the cost of the preparation of the food, the cost of serving it, and the overhead expenses of rent, gas, electric light, and general management. The chef, of course, is the czar of the kitchen, around whom everything revolves. More often than not he brings his own crew, and he has his own ideas as to what work shall be done by men and what work shall be done by women. The matter of the effective and economical preparation of the food is half solved when the proper chef is employed, and the problem of securing a

Effective
Super-
vision

IN this month's issue of The Pace Student we conclude the abridged reprint of the pamphlet, "Fundamentals of a Cost System for Manufacturers," issued by the Federal Trade Commission. Believing that this publication prepared by the Government's Commission would be of interest to many of our readers, we have devoted space in our magazine to the presentation of the text of the pamphlet. It is understood that this presentation does not constitute an indorsement by The Pace Student, either of the views expressed in the publication or of the manner of expression.

Our comments on the text follow at the close of the reprint.

"A system for recording the costs of a continuous product is a much simpler one than a system for recording the cost of job work, because in the former costs are figured departmentally or by processes instead of by jobs. The accounts are practically the same, except that there is not the necessity for the same detailed analysis as in the job cost system.

"The business must be departmentalized as the first step, and the departmental divisions carefully observed, as otherwise true costs will not be obtained. The departmental divisions are different from the job cost divisions, as these should be by processes, regardless as to whether the work is of similar character or not.

"Material is handled in the same way in both systems as far as purchases and delivery to stock room goes, but in a slightly different manner after it is requisitioned out. It will be necessary to open a material account for each department. As the material is withdrawn for use these accounts are charged with its cost whether it be purchased raw material or the finished product of some preceding department. The credit to these accounts will be the cost of the material used on the completed work and balance will be the cost of the material used on the work in process.

"Labor is handled in the same manner as described in the Job Cost System, except that it is not necessary to differentiate between direct and indirect labor. It is, however, advisable to keep the direct and indirect labor separate in order to get a detailed analysis of cost in each department, so that any leaks which may exist will be brought to light. All labor done in a department is part of the cost of operation of that department and must be taken up in the monthly cost sheets. There will be some general labor, such as foremen, superintendents, etc., whose work must be distributed over sev-

eral departments. The basis for this distribution depends on the nature of the business. It will be necessary to open departmental labor

accounts which will be charged with all labor and credited with the labor cost of the completed material. The balance in these accounts will represent the value of labor done on the work in process.

"There should be also an overhead expense account for each department, and these accounts will be charged with their proportion of the fixed charges, with all indirect material or supplies, and with all miscellaneous expense items. The credit to these accounts will be the expense incurred on the work completed, and the balance will be the expenses incurred on the work in process.

"At the end of the month a journal entry is made charging a succeeding department material account, or the finished goods account, as the case may be, with the total cost of the product sent out and crediting each of the departmental accounts with its share of the total cost. When this is done it will be seen that the sum of the balances in these three departmental accounts, namely, material, labor, and expense, will be the cost of the work in process in that department. When a department has completed all the work it has and sent its product to some other department these three accounts should balance.

"In some lines of manufacture, where a continuous product is made, it is the practice to issue a Works Production Order to make a certain quantity of goods, and where this practice is used the Job Cost System is used, keeping the cost by order number.

"After the goods have reached the Finished Goods account the method of treatment under the Continuous Production System is identical with the Job Cost System.

"The prime object of a cost system is to determine costs, to analyze and compare them, and to use them as a basis for making prices. But the uses and advantages go further. A manufacturer from reliable records is able to make clearer and more intelligent statements to his bank and thereby obtain a larger line of credit than he could without them.

"The Federal Trade Commission is urging manufacturers to give the subject of accurate costs the attention it deserves. It has found that unreliable costs of production and distribution cause a great deal of unfair competition and a heavy business death rate.

"While the claim is not made that a cost sys-

tem will save a man from failure, the claim is made that a man who knows where he stands day by day is very much less likely to make a failure of his business than one who is directing his business by guess-work."

**Comments
on
Cost
Article**

BEFORE we proceed to a discussion of individual points of interest, it may be of value to allude briefly to the elements of which manufacturing cost is composed. All manufacturing cost may be classified into three elements: material, labor, and expense. The treatment of the elements of material and labor in the article under discussion calls for little comment. An adequate stores system is essential in the organization of a factory, and means should be employed to insure charging individual jobs with the material used directly in their manufacture. The proper expense accounts should be charged with indirect or expense material. The division of labor into productive and nonproductive labor and the distribution of each class to jobs or to expense, disposes of the second element of manufacturing cost.

In cost accounting the element which presents the most difficulty is that of expense or overhead, classified as to factory overhead and general overhead. To accountants and Accountancy students especially, the inclusion by the Federal Trade Commission of various fixed charges under factory overhead is apt to provoke a mental question. It is stated that "the first item of (factory) overhead is Building Expense or Rent." Under Building Expense are included those items which are incurred in the safeguarding, maintenance, and taxation of a building when it is owned by the manufacturer. If the building is not owned by the manufacturer, rent takes the place of building expense, this former expense including also an amount to provide the owner a return on his investment. Without attempting to question the fact that Rent or Building Expense is frequently considered a part of factory expense, it may be well to call attention to another view which also obtains in connection with these items. Inasmuch as Building Expense—Insurance, Taxes, Depreciation and the like—is incurred in the interest of capital, for the purpose of safeguarding and maintaining permanent assets, it is sometimes held that such items should be treated as capital expense rather than as factory expense, and that these items should not find their way—in-

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directly, of course—to the Trading account and thus affect the gross profits. The same argument applies to other fixed charges, such as Insurance, Taxes, and Depreciation on building equipment. If it is argued that Building Expense should be excluded from factory overhead when a building is owned by a manufacturer, when a building is only rented, the rent charges should likewise be excluded from factory overhead on the theory that insufficient capital renders it impracticable to own instead of rent the property. It may be added that for purposes of control, it is often desirable to eliminate as far as possible from factory overhead elements that do not fluctuate with the volume of business. In this way the management is enabled to impose upon factory executives a strict accountability as to results.

Another interesting question mentioned in the Federal Trade Commission's pamphlet is that of the treatment of interest on invested capital. Is interest on invested capital a proper charge against cost of production? It is not practicable to engage in a lengthy discussion of the question at this time. The arguments against inclusion of interest far outweigh, in our opinion, any arguments that may be advanced in favor of its inclusion. We do not consider interest on capital invested a legitimate charge against cost of production.

A rather unique feature described in the pamphlet under review is the "Reserve for Overhead" account. While the principle of averaging costs, or the ascertainment of normal costs for a given period as compared with actual costs, has a wide acceptance, a Reserve for Overhead account is not necessarily employed to effect such averaging.

The various methods suggested for the distribution of factory overhead to job costs, are worthy of the consideration of every student of cost accounting. It is particularly necessary to understand the principles underlying such distribution in order to choose the method best suited to each individual case. No arbitrary rules can be laid down on this point.

After ascertaining the factory cost, the next point of interest is shipping, selling and general expenses. Although a percentage covering these

expenses would be added to factory cost in order to determine the total cost of goods, it must be remembered that for inventory purposes the factory cost is used and the selling cost should not be taken into the financial books.

It is hoped that the reprint of the Federal Trade Commission publication will stimulate many readers who are interested in cost keeping to a more intensive study of the subject. A mastery of fundamental principles is the first essential. The application of those principles under varying conditions and with varying details follows.

F. MORRIS ROWLES, Newark School of Accountancy, has recently accepted a position in the Accounting Department of the Platt & Washburn Refining Company.

RUDOLPH PALECEK, Pace Institute of Accountancy, formerly of Tarentum, Pa., has taken up his residence in New York City, and has been engaged as bookkeeper by Habicht, Braun & Company.

ALBERT L. JONAH, Pace Institute of Accountancy, has left the employ of the Bankers Trust Company to accept a position as Accountant in the employ of the Sinclair Oil Refining Company.

MALCOLM DOUGLAS, Pace Institute of Accountancy, who was formerly employed by the Hampton Shops as Bookkeeper, has accepted a position as Bookkeeper in the Treasury Department of the New Jersey Zinc Company.

RALPH F. DE MAYO, New York Institute of Accountancy, has left the employ of the American Express Company, to accept the position of Bookkeeper for Cushman's Bakery.

W. E. LINDSEY, of Wilkes-Barre, Pa., Pace Institute of Accountancy, Extension Division, was a recent visitor at the Pace Administrative Offices, 30 Church Street, New York.

AUGUST G. KINSGRAB, of the Newark School of Accountancy, was a successful candidate at the recent New York C. P. A. examinations.

ELLSWORTH G. REYNOLDS, of Waterbury, Conn., Pace Institute of Accountancy, Extension Division, was a recent visitor at the Pace Administrative Offices, 30 Church Street, New York.



Horatio
N. Drury,
B.A.

IN the September issue of The Pace Student I took occasion to consider personal pronouns in some detail. In this article I purpose to pursue the subject of pronouns further and discuss the proper use of relative pronouns.

A relative pronoun is a pronoun that joins a subordinate statement to a principal statement in which there is a noun or a pronoun to which the relative pronoun refers.

Relative pronouns are divided into two classes—simple and compound. The simple relative pronouns are *who*, *whose*, *whom*, *which*, *what*, *that*, *as* after *such* or *same*, and *but* when used in conjunction with a negative—such a word as *not*, *no*, *never*, or *nothing*.

Relative Pronouns

Who refers to persons, to animals thought of as possessing marked intelligence, and to things when they are personified. *Which* refers to animals, things, or ideas. *That* refers to persons, animals, things, or ideas. *As* refers to persons, animals, things, or ideas, and is always used with *same* or *such*. *But* refers to persons, animals, things, or ideas, and is always used with a negative, so that the two words form an expression equivalent to *that*, *not*, *who* *not*, (*whom* *not*), or *which* *not*. *What* contains its own antecedent, since it is equivalent to *that* *which*.

Compound relative pronouns are formed by adding the endings—*-soever*, *-ever*, or *-so* to the simple relative pronouns, with the exception of *that*, *but*, and *as*. Hence, we get *whosoever*, *whosoever*, *whomsoever*, *whichsoever*, *whatsoever*, *whoever*, *whomever*, *whomever*, *whichever*, *whatever*, *whoso*, *whoso*, *whomso*, *whichso*, and *whatso*. The compound relative pronouns ending in *-so* are not now in general use. The compound relative pronouns ending in *-ever* are the more often employed, those ending in *-soever* being reserved for use in comprehensive and especially emphatic declarations. Compound relative pronouns, like the simple relative pronoun *what*, include their own antecedents. *Whatever*, for example, is equivalent to *anything* *that* or *which*. *Whoever* is equivalent to *any person* *that* or *who*.

When to use *that* and when to use *which* or *who* is often a perplexing question. *That* should be used in preference to *which* or *who*,

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in order to introduce a fairly short relative clause indispensable to the meaning of the sentence as a whole. Such a clause is called a restrictive relative clause. It should never be set off by commas.

Which or *who* also may properly be used in a restrictive relative clause, especially if the clause is rather long, or if several *that*'s have been used in the sentence, so that, in respect to sound, a *who* or a *which* is preferable to an additional *that*. In short, the use of *that* as a relative pronoun is largely a matter of judgment and choice, provided it is established that the relative clause to be inserted is actually restrictive.

If you have occasion to use two or more relative clauses referring to the same noun or pronoun—no matter whether such clauses are restrictive or not—*who* or *which* is preferable to *that*. In other words, prefer *who*—and *who*, or *which*—and *which*, to *that*—and *that*.

In all relative clauses which add an explanation of a noun or a pronoun, and which may therefore be omitted without impairing the essential meaning of the sentence as a whole, *who* or *which*, never *that*, should be used; such relative clauses, which are generally called explanatory or non-restrictive, should always be set off from the rest of the sentence by commas.

Sometimes, of course, it is possible to think of a relative clause as being either restrictive or non-restrictive. In such cases, either the inclusion or the omission of commas may be defended. The main thing is to decide upon the character of the relative clause, and then to be consistent in the selection of the proper relative pronouns and in the punctuation.

Examine the following sentences:

A word *that* connects a noun or a pronoun with the rest of the sentence is called a preposition.

That is preferable to *which*, because there is only one relative clause, and because that clause is restrictive and also fairly short. *Which*, of course, would not have been positively wrong. Note the absence of commas.

A man *that* works hard is destined to success.

That is preferable to *who*, because there is only one relative clause, and because that clause is

restrictive and also fairly short. *Who*, of course, would not have been positively wrong. Note the absence of commas.

The manager told me that the man *who* filled the position must be thoroughly trained.

Who is preferable to *that*, despite the fact that the clause is restrictive, because there is a preceding *that* used as a conjunction. The sentence sounds smoother to say *that—who*, than to say *that—that*. Note the absence of commas.

All candidates *who* have completed the course in pedagogy, and *who* have successfully passed the written and oral examinations, are eligible to temporary appointment as teachers.

Who—and *who* are preferable to *that*—and *that*, because we have more than one relative clause modifying the same noun. Note the absence of a comma before the first *who*, both relative clauses being restrictive.

All houses *which* are at all isolated, and *which* are situated at a considerable distance from a fire alarm box, should be provided with fire extinguishers.

Which—and *which* are preferable to *that*—and *that*, because we have more than one relative clause modifying the same noun. Note the absence of a comma before the first *which*, both relative clauses being restrictive.

The horse then ran into a field of corn, *which* completely hid him from view.

Which, not *that*, must be used in this sentence, because the relative clause introduced by *which* is non-restrictive or explanatory; that is, it may be omitted without obscuring the meaning of the sentence as a whole. Hence, commas are necessary.

Woodrow Wilson, *who* is now President of the United States, is an author of note.

Who, not *that*, must be used in this sentence, because the relative clause introduced by *who* is non-restrictive or explanatory; that is, it may be omitted without obscuring the meaning of the sentence as a whole. Hence, commas are necessary.

It is well to note that a relative pronoun may often be omitted to advantage, if the relative clause is short and so clearly placed that the noun or the pronoun to which it refers is immediately apparent, as in the following sentences:

Hope is the best inspiration (*which* or *that*) a man can have.

Example

English Department He pointed out the man (*that* or *whom*) I wished to see.
Every task (*which* or *that*) we perform faithfully gives us strength for new duties.

(Continued) Observe that it is only from restrictive relative clauses that the relative pronoun may be omitted, and that the sentence is thus made stronger, because it is terser than it would be with the relative pronoun expressed. Still, the matter of the omission of relative pronouns is, to a considerable degree, one of option.

The proper use of *who* and *whom* often causes perplexity. For a discussion of the rules governing the nominative and the objective cases, refer to the article on pronouns in the September issue of the *Pace Student*. Examine the following correct sentences:

He is a writer *whom* all enjoy.

It could not have been he *whom* you blamed.

Letters were sent to all *who*, it was felt, could pay the assessment.

The race was won by Walter, *who*, every one knows, is a good swimmer.

I do not know *who* it could have been.

They found out *who* it was that shouted.

The chairman told *who* I was supposed to be.

George was the boy *whom* they bade to go.

The workmen of *whom* I spoke are faithful.

There is only one attendant *whom* we can rely on.

The man *whom* I spoke to is my cousin.

Henry Jones is the man *who*, the office thinks, should be advanced.

Place every relative pronoun as near as possible to its antecedent. In other words, make sure that your *who's*, *which's*, and *that's*, immediately follow the words to which they respectively refer, for example:

(Wrong) The farmer remarked that he had caught rats during the fall in his greenhouse *which* (or *that*) weighed six pounds.

(Right) The farmer remarked that, during the fall, he had caught, in his greenhouse, rats *which* (or *that*) weighed six pounds.

Do not use *and who*, or *and which*, without a preceding *who*, or *which*, used in the same construction, for example:

(Wrong) Near the ocean stretches a beautiful plain covered with trees, *and which* seems to the eye as level as if Nature had smoothed it off with a gigantic putty knife.

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(Right) Near the ocean stretches a beautiful plain *which* is covered with trees, *and which* seems to the eye as level as if Nature had smoothed it off with a gigantic putty knife.

(Right) Near the ocean stretches a beautiful plain *covered* with trees, *and seeming* to the eye as level as if Nature had smoothed it off with a gigantic putty knife.

Remember that all compound relative pronouns, including as they do their own antecedents, must always be put into the cases required by the clauses which they introduce, and not into the cases apparently required by any other word in the sentence, especially if that other word is a preposition or a transitive verb, for example:

(Wrong) He bored *whomever* called on him.

(Right) He bored *whoever* called on him.

(Wrong) This plan will help *whomever* wishes to improve his spare moments.

(Right) This plan will help *whoever* wishes to improve his spare moments.

(Wrong) For *whomsoever* would make a success in life, economy and industry are indispensable qualities.

(Right) For *whosoever* would make a success in life, economy and industry are indispensable qualities.

In the foregoing paragraphs the phases of relative pronouns most likely to prove perplexing have been discussed in considerable detail; and it is believed that, if the special cautions set forth are observed, the matter of using relative pronouns correctly will be largely mastered and settled.

MARTIN C. RUGGABER, Newark School of Accountancy, who was a successful candidate in the New Jersey C. P. A. examinations in 1915, has recently joined the auditing staff of Arthur Young & Company, certified public accountants.

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where the period of time is not specified. These constitute a general hiring. Death within the year would cause the performance of such a contract. Furthermore, if either party terminated it within a year, it would be performed. These contracts are held valid even though made orally.

There is a difference in the decisions of American courts as to the validity of an oral contract to hire for life. The weight of opinion favors the validity of such contracts on the ground that death within the year would constitute performance. I have not found any New York cases exactly in point. Nevertheless, there has been a case to the effect that a contract to support another person for life is not within the statute for the reason that death would constitute performance. Upon analogy, it would, therefore, seem that in New York an oral contract of employment for life would be valid.

It is of course understood that the contingency need never happen. All of the rules merely turn upon the question of whether, in the event that the contingency occurs, the contract would be performed.

The difference between a tortuous path and a straightaway road often consists in the ability to foretell where you will come out.

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ner, this would solve your problem. I take it, however, that you have found no means of arriving at such cost. Therefore, any division of the combined selling cost of the two products will have to be upon an arbitrary basis. In such a case the basis must be used which will, so far as possible, be just to both products.

A common method of making such division is in the ratio of the products sold based either upon quantity or upon value. Under the conditions you name the quantity basis would seem to be unjust to the cheaper product, as it would bear a burden of expense disproportionate to the actual cost of selling it. A division of cost based upon value would seem to be more just so far as can be decided from the information you have given, as the cheaper product would bear the lower ratio proportionate to quantity, and you state that it is the easier sold. After applying this principle during an accounting period, you would probably be able to determine whether or not it is a sufficiently accurate basis for your work.

Where the sale of the one article is to some extent dependent upon the sale of another article a new complication arises which has to be taken into consideration in arriving at the distribution of cost. From your statement of the problem, however, we understand that this does not enter into your case.

Your English

ADEQUATE knowledge of English, especially of grammar, word usage, and sentence structure, as applied to conversation, the writing of letters, the compilation of reports, and the building of advertisements, is a distinct business asset.

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To meet this demand, Pace Institute will conduct classes in practical English, beginning in January and February, 1917, and continuing for seventeen weeks. Each class will meet once a week, either at mid-day or in the late afternoon, for a one hour session. Enrollment will be open to both men and women. The Pace Standardized Course in English (a series of printed booklets, one for each lesson) will be the text used.

Send for the descriptive folder "Your English," which explains the content of the Course in detail.

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good result with a poor chef is a difficult one. However, a study of the cost in comparison with the number of meals served, and in comparison with former results, and the results of other restaurants obtainable, is enlightening, and it is often possible to bring information to the attention of the chef that enables him to perform his functions better.

There are two distinct methods of serving food—the old and time-honored method of serving by waiters, male or female, and the comparatively new method of self-service. The waiter service, of course, is used almost exclusively in high-class restaurants and will undoubtedly continue to be used. The self-service plan is being adopted very generally for restaurants serving noon-day lunches, and the plan is rapidly being adopted in low-priced restaurants for all meals. The great advantage, from the viewpoint of the customer, is quickness of service and the cheaper prices that can be made available; and from the viewpoint of the management, the advantages lie in the decreased cost of serving and the simplification of the work of preparing foods. A great many restaurants of the cheaper grade have changed from waiter service to self service with great profit and satisfaction, and we rarely hear of a restaurant that has once made the change going back to the waiter service. Restaurant managers, as a rule, accept the self-service plan reluctantly, but its rapid extension throughout the country is evidence of the advantages secured by it in certain classes of restaurant work.

There are, of course, plans which combine the two methods to some extent, as is the case with the Exchange Buffet restaurants in New York. Counters and stools are provided for guests who wish to be served with certain types of dishes, while other food is provided on a strictly self-service plan. This method does away with practically all running back and forth between dining room and kitchen on the part of waiters and thus brings about a great saving in effort. Further than this, it provides a customer, if he desires it, with the opportunity for quick and effective waiter service.

The accountant who must give advice in regard to restaurant management must not fail to make a careful study of the problems of service in order that he may advise the character of service that will be best suited and most economical for the restaurant under consideration.

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After the cost of food supplies, the cost of preparing the food, and the cost of service are thoroughly analyzed and considered, we have remaining the more general problems of overhead cost. These almost invariably bring up the matter of the relation of these items to the gross business, the methods of increasing the volume, the question of space and location, and other matters that are peculiar to the particular proposition.

Finally, and as a last resort, we must increase prices. This is the point to which many of the most effectively managed restaurants have been brought at this moment. In restaurants everywhere prices are being raised as gradually and as unobtrusively as possible. The first move has been quite generally to reduce the size of portions—the meat has been sliced thinner, the pie has been divided into a greater number of segments, the size of the milk bottle has been decreased, and one prune out of 7, say 14 2-7 per cent., has been quietly removed from the portion, or perhaps the No. 7 has been retained and one-seventh has been taken off each prune in the matter of size. There is a limit to economy in this direction, and we are, therefore, now in the midst of a general increase in prices. A management can take its choice of two methods in raising prices—it can make a drastic re-scaling and have it done with, or it can adopt the more gradual method of increasing the price of first one dish and then another. The latter plan is more generally adopted because it is not so quickly recognized by patrons and is not so apt to cause a sharp falling-off in business. Increases of this nature, when necessary, must be made as carefully as possible, and care should be taken to increase the cost of the portions in reasonable percentages.

The accountant has no better opportunity for the exercise of his analytical ability and his business judgment than in advising clients in the matter of restaurant costs and management, and at this particular juncture, when the operating problems are acute, many a hotel and restaurant manager is seeking the aid of the one professional man who is able to give constructive and helpful advice—the certified public accountant.

VIGOROUS protest against making the high school merely a preparatory school for the higher educational institutions when but one per cent. of the students who attend high school actually go to college, was made recently by J. R. McArdle, principal of the South Bend, Wash., High School, in a talk before the class studying the history of education at the University of Washington.

Mr. McArdle declared that the object of every small high school seemed to be not to fit its pupils for life in their environment, but to get accredited and remain accredited. To do this, he added, the high schools are compelled to meet certain requirements which eat up just about two-thirds of the pupil's four-year course.

"So, instead of giving something that will count in a direct way toward making a livelihood, we teachers are obliged to go ahead with the traditional course of study designed largely as an introduction to the professions," said Mr. McArdle.

Mr. McArdle advocated expert vocational guidance. He said that he looked forward to the day when there will be in every school a person, one especially hired for the purpose, or the principal—whose main business it will be to coöperate with the parents and the pupil himself in a careful selection of the training best suited for that pupil. Such a selection would take into consideration the wishes of the parent, the inclination of the pupil, the capacity of the pupil, physique, and last, but not least, the length of time that can be spent in school.

"It is a sin and shame to let boys and girls drift along until they are obliged to grab at any old job," said Mr. McArdle. "The need of a definite choice should be dinned everlastingly into the minds of the young. There should be a definite coöperation between the parent and the teacher and the pupil in the selection of a line of work for which the pupil is fitted, and certainly for the avoidance of a line for which the pupil is obviously unfitted. The precious years of school work should be shaped to further this end, and, when possible, made the means of directly fitting the pupil for the first requisite of a successful life—the ability to earn an honorable living."

F. C. ELLS, Pace Institute of Accountancy, Extension Division, has recently been informed that he is scheduled to sail for the Standard Oil Company's plant at Athens, Greece.

Object
of the
High
School

The Worm Turns "THE worm has turned at last, and it's a good, big, fat worm! Perfect little Walter has slipped up on the job. Who'd a' thought it! Hip, hip, hooray!"

Tom came shouting down the corridor hot-foot after Walter, who had just left the office, his day's work over—supposedly.

"What's bitten you? You act like a crazy man. Has somebody left you a million dollars?" Walter was somewhat nettled at Tom's boisterousness.

"Better than that, much better," rejoined Tom, his face indexing his joyousness of spirit. "Here you've been pounding me day in and day out for all the business crimes in the calendar; but now I've got one on you, angel-boy, and it's a good one, too. Oh, joy, and then joy some more!"

"You give me a deep pain," rejoined Walter, now thoroughly exasperated. "Quit making a clown of yourself and tell me what it is I've done that makes you dance around like an organ-grinder's monkey. Out with it, and you'll feel better."

"All right, here goes!" replied Tom, for he did not like the glint in Walter's eye. "Just after you had left the office, Mr. Parsons came sputtering in and asked where you were. He said he'd told you this noon that he wanted you to

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come into his office at 5:30 and do some special work for him. When I told him you'd left for the day, he was certainly the sore old boy."

"By George, you surely have got one on me!" exclaimed Walter, crestfallen. "Mr. Parsons did ask me to see him, and I forgot all about it. I thought I'd remember it, but I didn't. I'll go right back and may be I'll catch him before he leaves."

"Oh no you won't," said Tom, trying hard to keep the note of jubilation out of his voice. "When Parsons found you'd gone, he went into his office, slammed down his desk top, and beat it by the private elevator. You're in for a panning to-morrow all right."

"Yes, of course, I am," replied Walter gravely, and I deserve it. I should have made a memorandum of the appointment. I usually do, but this time I slipped up. It will be a good lesson for me, and you can bet I won't get caught in the same trap again."

Even the most efficient and painstaking of us get tripped up now and then. If we didn't, we shouldn't be human. When we do make a mistake, however, there's only one

thing for us to do—the thing that Walter did—frankly acknowledge the mistake, whether of omission or commission, stoutly resolve never to make that particular mistake a second time, and try to devise some method that will prevent us from making it. In this way we can make ourselves contribute to our development, our reliability, and our usefulness.

F. P. MURPHY, who was formerly connected with the Hudson Navigation Company in the capacity of bookkeeper, has accepted through the Pace Agency for Placements, Inc., a branch office managership with the B. F. Goodrich Company of Akron, Ohio.

ALFRED SODERBERG, Accountancy Institute of Brooklyn, has recently accepted a position as bookkeeper with the A. H. Bull Steamship Company. Mr. Soderberg was formerly employed as Cost Clerk by the Powers Accounting Machine Company.

G. M. HOFFORD, C. P. A., Manager, State of Texas, Marwick, Mitchell, Peat & Co., Dallas, Pace Institute of Accountancy, Extension Division, was successful in the recent examination for the degree of Certified Public Accountant held in Texas.

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NEW YORK

The PACE STUDENT

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No. 2



THE educational spirit is now pervading all aspects of Modern Business. It is becoming increasingly difficult to find a business organization with an eye to future development that is not giving careful thought and valuable time to the productive training of its employees. In many cases the organization has established its own courses of study and makes class attendance compulsory. In other cases, the organization is enabling selected groups of its employees to take up special subjects in late afternoon or evening classes at an approved school, either by advancing the tuition cost or by refunding it upon the completion of the courses.

And in nearly every case, the organization, which is unable to take charge of the educational welfare of its employees, lets it be known that those employees who on their own initiative spend their personal overtime in self-development will have the preference, all other things being equal, for promotion. It is the day of educational preparedness for Business.

National City Bank The National City Bank of New York was one of the first business organizations to recognize the importance of educating its employees. To-day it has an elaborate curriculum under the supervision of a high-salaried educational expert. There are classes in Arithmetic, Penmanship, Commercial Geography, English, Spanish, French, German, Russian, Law, Political Economy, Banking, Accounting, Foreign Exchange, Foreign Trade, and various other subjects. Attendance is practically compulsory. Full credit is also given for educational work done at outside institutions approved by the bank. The purpose of the educational plan is

so thoroughly to develop the 1000 or more employees of the Bank in a knowledge of the broad as well as the technical aspects of banking that they will be of steadily increasing value to the Bank, especially in foreign fields.

The Edison Company of New York is another progressive company that believes in the education of its employees. It has worked out and put into operation an intensive system of education designed to broaden the business outlook of its employees and to give them the technical knowledge which will best serve the

Company's commercial interests. New subjects are being added to the curriculum all the time, and it will not be long before the Company will be conducting within its own walls a school that gives instruction in every phase of the Company's business. Full recognition is given to evening courses of study taken at any approved educational institution.

The General Electric Company is a leader in this educational movement. At its home office in Schenectady it is conducting classes in Accountancy and Business Administration for

chosen groups of employees, who, it is believed, will develop managerial capacity. During the past year courses in English have been offered as well. For a long time some of the ablest executives of this great Company have been addressing themselves to the problem of increasing the productivity of all their employees by means of a sanely conceived and organized system of education. The relations between the General Electric Company and the public school system of Schenectady have long been most intimate; and employees are encouraged to spend their evenings in study.

The Standard Oil Company of New York every year conducts special classes in Account-

The Educational Spirit

Edison Company

General Electric Company

Standard Oil Company

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The Educational Spirit ancy and Business Administration—one for groups of young men whom it purposes to send to foreign fields, and another for selected

(Continued)

executives. Though these classes were first conducted as experiments, the results have been so satisfactory that the work will be continued indefinitely. Classes in Applied English are also maintained by the Company. Many of the employees of the Company are pursuing evening courses in Resident Schools or Extension Courses, in order to equip themselves for advancement.

Guaranty Trust Company The Guaranty Trust Company of New York is another up-to-date business organization alive to the necessity of educating its staff. Classes in English and in various other subjects are already being held upon Company time and at Company expense; and an elaborate system of education embracing many subjects, a knowledge of which will make the employees more valuable to the Company, is under advisement and will shortly become a reality. The Company also regards with much favor those of its employees who, of their own volition, take up educational courses elsewhere upon their own time and at their own expense.

B. Altman & Company The large department store of B. Altman & Company of New York has organized an educational curriculum, part of which is under the direct supervision of the New York Board of Education. Classes are held in various subjects that have a direct bearing upon the interests of the store. The faithfulness with which employees attend these classes, or outside evening classes, and the intelligence with which they do their work, have a definite bearing upon their chances for promotion. Thus far, the results in increased efficiency on the part of the employees have more than justified the outlay of time, thought, and money made necessary to organize and conduct the educational work.

Steinway & Sons The well-known piano manufacturing firm of Steinway & Sons of New York has long made it a practice to enroll a certain number of promising employees each year in evening courses in Accountancy and Business Administration, in order to be provided with a constant supply of developed managerial ability. The firm regards its investment of money and thought as having been highly productive, and will undoubtedly extend its activities in this field.

There are many other business organizations which are doing just as noteworthy educational work for their employees as are the above organizations. Lack of space prevents the mention of more than a few of them—for example,

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the National Cash Register Company of Dayton; the Ford Motor Company of Detroit; the Winchester Repeating Arms Company of New Haven; the Southern Cotton Oil Company of Savannah; the Standard Oil Company of New Jersey; the Travellers' Insurance Company of Hartford; the Metropolitan Life Insurance Company of New York; the Tide Water Oil Company of New York; the Franklin Railway Supply Company of New York; the American Bridge Company of Pittsburgh; the American Steel and Wire Company of Worcester; the Union Gas Company of Brooklyn; the Burroughs Adding Machine Company of Detroit; the Eastman Kodak Company of Rochester, and the Larkin Company of Buffalo.

The foregoing facts prove that business organizations have come to realize the economic value of the trained man. Moreover, they are insisting that ways and means be found to train him. If he takes the initiative himself, so much the better. In any event, it is transparently clear that every young man and woman who wishes to get ahead in Business must study—usually in late-afternoon, or evening, classes, which are now widely available, and apply the results of his or her study to the facts of modern commercial life. Moreover, it is rapidly becoming evident that, in order to retain even an ordinary routine position, one must show a capacity and a desire for self-development.

The whole current of things commercial and industrial is education-ward. Woe to the benighted man or woman who feebly tries to stem it, so far as he or she is concerned, by ignorance, indifference, or laziness! Enroll in evening classes, young person of foresight, and thereby fall in with the current! It will carry you onward to increased usefulness, increased earning power, and increased happiness!

THE following remarks by Colonel W. C. Cornwell, to the Salesmanship Club of New York, are worthy of a moment's pause and thought by every business man, whether young or old:

"The ebb tide will try men's capacities. It is easy to hold a position when everyone is busy and all business organizations are requiring more employees. But who will stand the test when there comes a hesitation in Business?"

"The ebb tide—whether it be soon or long after the present flood tide—will call for the best that is in the business brains of our country's commercial organizations."

Other Organizations

A Logical Inference

Frank A.
Vanderlip,
LL.D.

THIRTY-FIVE years ago working at a lathe in a machine shop in a little Illinois town for seventy-five cents a day; to-day President of the National City Bank of New York, the largest financial institution in the United States, head of the International Banking Corporation with branches throughout the world, organizer and chairman of the Board of Directors of the American International Corporation with its world-wide plan of commercial conquest, leader in the organization of the Midvale Steel and Ordnance Company, railroad director, and authority on all aspects of finance and economics, especially in their national and international application, with an annual income that is a princely fortune—such has been the amazing business career of Frank A. Vanderlip, LL.D., who is now but fifty-two years old.

And there are still backward-looking failures who deplore the passing of the good old days when it was so much easier to succeed than it is nowadays! To such as carp in this wise, Mr. Vanderlip's career gives the lie direct, for every phase of it finds its basis in the development of merit, ability, industry, and character. In reading of the success that Mr. Vanderlip has won, the young men of to-day should be inspired to make the most out of themselves every minute of every day, knowing that Opportunity has never before come so boldly or so frequently out into the open as she is doing in this very generation.

Obstacles to be overcome, it has been said, often prove blessings in disguise. According to this theory, Mr. Vanderlip, when a boy and a young man, was exceptionally blessed. He was born on a large farm near Aurora, Illinois. His father died when he was only twelve years old, and Frank, as the eldest of three children, was forced to become the chief support of the family. The farm, which was heavily mortgaged, was sold when he was sixteen, and the family went to Aurora to live. Here Frank went to work in a machine shop at a daily wage of seventy-five cents.

Having an insatiable thirst for knowledge, he read everything that he could get hold of, being at that time especially interested in electricity and mechanics. By dint of careful skimping and saving, he was able to spend a year at the University of Illinois, where his total year-

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ly expenses were \$265, a part of which he earned by working as a machinist on Saturday afternoons.

On his return to the machine shop at Aurora—for the family purse needed his earnings again, he mastered shorthand by mail, hoping that with this knowledge he could get out of manual into mental work. The machine shop shut down for lack of business and young Vanderlip secured a job on the local daily paper as assistant editor, bill collector, and general office boy. His earnings averaged from six to eight dollars



Frank A. Vanderlip, LL.D.,

President, National City Bank
of New York

a week, depending upon the amount of his collections!

At this time, Joseph French Johnson—now Dean of the School of Commerce, Accounts, and Finance, New York University—who had been reared in Aurora, became acquainted with Young Vanderlip and began to map out courses of reading for him, chiefly along economic lines. Mr. Johnson, college trained, was then manager of Scudder's Investigation Agency in Chicago, which made a specialty of supplying bankers and brokers and commercial houses with financial information. Mr. Johnson gave young Vanderlip a position as stenographer with his concern, turning its entire

management over to him three or four years later when he (Mr. Johnson) became financial editor of the Chicago Tribune. Later, through Mr. Johnson's friendship, Mr. Vanderlip was given a position as reporter on the Tribune. Soon he became assistant financial editor, and finally financial editor. It was not long before he was widely recognized not only as a very able financial writer, but as an authority on financial matters.

It was this justly won reputation that attracted Lyman J. Gage, then Secretary of the Treasury, to him. Mr. Gage appointed him his private secretary—an appointment which young Vanderlip gladly accepted; for, with that extraordinary prescience which has since been so characteristic of him, he foresaw that life in Washington would teem with opportunities for growth and advancement.

Such proved to be the case, for Mr. Vanderlip's ability so impressed Mr. Gage that he elevated his private secretary to the position of Assistant Secretary of the Treasury, where one of the first things he had to do was to handle the \$200,000,000 Spanish War loan. So skilfully did he do this work that he attracted the favorable notice of financiers the country over, among them being James Stillman, president of the National City Bank of New York. A little later Mr. Stillman offered Mr. Vanderlip a vice-presidency, despite the fact that he had never had even a minor bank position in his life. After eight years' service as vice-president, during which time he had built up the greatest bond business in the country, he was elected president.

It is Mr. Vanderlip's ambition to make the United States the greatest financial and commercial nation in the world, and the National City Bank as effective a means as possible to that end. Hence, upon the passage of the Federal Reserve Act, the National City Bank began to open foreign branches, the most important of which are in Buenos Aires, Rio de Janeiro, São Paulo, Santos, Montevideo, Havana, Santiago (Cuba), and Santiago (Chile). Mr. Vanderlip's vision of the great opportunity for American industry and finance in foreign fields led him to organize the \$50,000,000 American International Corporation, which during the past year has made important contracts for construction work in China, South America, and the near East. The corporation has acquired large shipping interests and

Who's
Who

Biographical
Sketches
of Men of
Affairs

His
Ambition

John T.
Kennedy,
LL.M.



YEARS are the units which measure achievement in the lives of human beings

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Both make their yearly resolutions, both, save for certain feminine exceptions, find the year a convenient unit, and both have their lean years and their fat years. Much cannot be said of the year as an accurate unit when taken singly, especially with respect to fluctuating profits in a hazardous venture. For a simple illustration, our friends, Smith and Jones, pay an income tax. Smith is conservative and gets a regular annual income of \$5,000 for five years, total \$25,000. Jones is radical and his profit and loss account for the first, third, and fifth year of these years shows in each year a net profit of \$15,000, total gain \$45,000, with losses in each of the second and fourth years of \$10,000, total losses \$20,000. Being married, Smith pays a tax each year on \$1,000, and for the five years he pays on \$5,000. Jones is likewise married, and pays an income tax in each of the three years in which he had profits on \$11,000, or on \$33,000 in all. During the five years each has secured a net income of \$25,000, yet Jones pays over six and a half times as much income tax as does Smith. These columns are concerned only with the Law, so that neither the justice of this taxation nor the difficulties which would result were any other rule invoked, need be discussed. Suffice that the year is an artificial unit, and like other artificial expedients is not true in every exigency.

The
Year
Unit

Those unfamiliar with corporate undertakings assume that their profits are fairly stable because dividends of uniform amount are declared from year to year. This uniformity in dividends by no means indicates a uniformity in profits. Even the most conservative corporations have large fluctuations in annual net earnings. Reserves accumulated during the "fat" years frequently afford a basis for dividends declared in the "lean" years. Stock market prices on corporate stock are better maintained by this policy of fixed dividends.

Suppose a corporation with no surplus sustains losses in one year, but makes a profit in the next. May this profit be distributed as dividends without making up the losses of the preceding year? English courts have adopted the year as the unit for determining corporate profits. Seemingly, English stockholders may forget their yesterdays, bask in the prosperity of the present, and let the future take care of itself. One court held that if a corporation con-

ducted an enterprise subject to frequent profit fluctuations, it would be legal for the directors so to declare dividends from profits of

prosperous years without making up the losses of other years, as to distribute among the stockholders, over a series of years, the entire capital stock. Probably a case which went to extremes held that if profits had been earned in one year, and not distributed, insolvency in a succeeding year would not prevent these previously earned profits from being the subject of a legal dividend.

American texts frequently enunciate principles founded upon what I venture to call "the year unit rule." However, an examination of the footnotes discloses that the author depends upon English cases. There are few American decisions involving the point for the very simple reason that in most of the states statutes provide for this contingency. These statutes prohibit directors from reducing, impairing, or distributing capital stock among the stockholders in the form of a dividend. I have failed to find any case of consequence holding otherwise from states where these statutes are not in force. Confusion that may have existed on this point may be removed by a simple statement of the rule:—In this country dividends may be declared only out of profits, and only when the capital stock is not impaired by losses, no matter when profits are earned or losses incurred. By the words "only out of profits" I refer to accumulated as well as current revenue. A corporation having a surplus may, despite a loss in the current year, declare a dividend out of the surplus.

A Connecticut court permitted a railroad to distribute dividends to certain preferred stockholders, without making up losses of previous years, in spite of a general statute to the effect that the capital stock must be retained intact. This preferred stock had been issued under a special statute of the legislature at a time when the railroad was insolvent for the purpose of taking it out of the hands of the receiver and effecting a reorganization. To hold the general statute applicable in this case would, according to the court, interfere with the marketability of the stock, and thus defeat the intent of the legislature in extending this privilege. This case in no way violates the fundamental rule, because it involved a special statute germane only to the corporation in question. (*Cotting vs. R. R. Co.*, 54 Conn., 156.)

Quite an interesting situation developed in a New Jersey case. The state statute permitted

The Rule
as to
Dividends

(Continued)

the stockholders, unless the certificate of incorporation or by-laws provided otherwise, to specify what profits should be reserved from distribution to increase working capital. This power had been placed by the stockholders in the hands of the directors, who held back profits and invested them in securities. From the surplus thus established a dividend was declared to the preferred stockholders. The common stockholders then contended that the surplus was the property of the corporation and not available for distribution, but the court did not sustain them. This ruling was based upon a surplus used for the purchase of securities, and not for working capital. Nevertheless, the decision intimated that even if these accumulated profits of other years had been used as working capital, they could be the source of a legal dividend. (*Bassett vs. Foundry Company, 74 N. J. Eq., 668.*)

Needless to say, it is a relief to find that the subject of corporate dividends in this country is not complicated by perplexities incident to "the year unit rule." Rights of creditors, investments of stockholders, and corporate well-being are better conserved by confining dividends to increment over and above the amount of the capital stock. The only possible exceptions to this rule are cases of mining or other corporations whose assets are consumed in realizing profit—cases which have been heretofore discussed.

A Case
of
Fraud

HOWEVER leniently disposed humanity may be toward a criminal, no sympathy is extended toward the creators of criminals. Too often these snakes in the grass escape, leaving their victims to bear the wrath of society. A case in which the victim escaped and the snake was caught challenges interest. Here was an instance in which the worm turned upon the snake, and although the worm may have been treacherous toward friends, there is consolation in the punishment of the snake. Aside from this novel feature of the old story of stock speculation undermining character, there is in the decision a striking analysis of what constitutes fraud and deceit. It is suggestive of remedial measures in analogous situations which might be overlooked.

A junior member of a law firm speculated in stocks on margin through a broker. He lost heavily, sunk all the property he and his wife owned, and embezzled certain moneys belonging to his firm, together with funds held by them in trust for clients. Upon discovery by

the firm of the loss of these funds, he confessed his guilt. The losses were made good by the firm, the firm dissolved, and he was thrown

out of employment. Through the influence of friends, aided by evidence of reformation on his part and a promise to keep away from the stock market, it was agreed, during October, 1910, that he would be retaken into the firm on November 1st of that year. Between the date when this agreement was made and November 1st one of the older members of the firm visited the stockbroker, informed him of all the circumstances and secured a promise that, should the young man again speculate, the partners would be notified. The stockbroker said, among other things, "We never take on a customer on a marginal account who occupies a trust position, like a bank clerk or an insurance clerk." At the time of this conversation the junior partner had an account with the stockbroker, opened on October 21, 1910. The junior partner continued his speculative ventures with the inevitable consequences of further losses accompanied by other embezzlements. About November, 1912, he absconded. Action was then commenced by the partners against the stockbroker for fraud and deceit.

To support their case, the law firm established the five requisites of fraud: the making of a representation, falsity of the representation made, knowledge by the stockbroker of its falsity, reliance by the firm on the representation, and that the immediate cause of the loss was the representation. The court sustained the partners, and confirmed a judgment for a large amount.

An analysis of the decision would be of interest from a technical legal standpoint. Nevertheless, the main feature which will appeal to the lay-reader is that there is a remedy at law for cases of this character.

SOME lawyers oppose teaching law to laymen. Their attitude is no more logical than that of a physician who would oppose teaching hygiene or sanitation to the public. A lawyer gains little in fee or in reputation from clients unable to protect themselves legally. Those who reap the larger reward of the profession number among their clients executives who know how and when to use the law as an ally in the game of business.

Caveat emptor is a rule which denies protection to the man who fails to use his five senses when bargaining. It typifies the individual initiative and self-reliance of the English-speaking peoples.

Five
Requi-
sites of
Fraud

COULD you suggest to me the name of some book as a sort of a primer of philosophy? Is there such a thing as a science of knowledge? If so, is this philosophy, or is it something else?—P. H. K.

A So far as our observation goes, the best book with which to begin the study of philosophy is Stuckenberg's "Introduction to the Study of Philosophy."

You will find in the outset some thirty or forty pages given to the definition of "philosophy," and all of the supporting work in the book is clearly and distinctly stated. Philosophy, as you know, is not an especially easy study, and if you survive this elementary book, you can take your choice of several philosophic works for the continuance of your study.

Q A corporation is formed with an authorized issue of \$25,000 in Capital Stock, of which \$10,000 is subscribed.

Bookkeeper makes the following Journal entries:

Sundries to Capital Stock	\$25,000
Subscription, A.....	\$5,000
Subscription, B.....	5,000 \$10,000

Treasury Stock.....\$15,000

He refers to a work on accounting written several years ago as authority for entering authorized but unsubscribed Capital Stock as Treasury Stock. In further defence of his theory he states that as nearly every corporation report required by State and Federal authorities asks the amount of authorized stock, also the amount of treasury stock, both items should be of record on his ledger.

The April issue of The Pace Student, page No. 78, contains the following statement: "Sometimes the erroneous practice is found of setting up the authorized but unissued stock as 'Treasury Stock.'"

Kindly state wherein the bookkeeper's theory is at fault, and what constitutes "Treasury Stock."

We continue to find the answers to accounting problems in The Pace Student of great value, and often couched in terms which we can use verbatim in settling a mooted question.—J. S. H.

A We are aware that the work on Accounting to which your question refers states that it is correct to set up in the financial books authorized but unsubscribed and unissued capital stock, and there are perhaps other authors who take the same position. Nevertheless, such a

procedure is contrary to the best American practice. This practice probably is based on the fact that the capitalization of corporations,

so far as the authorized issue of stock is concerned, is a nominal matter, and can be fixed at any desired amount, subject to the payment of the required fee. While it is true that corporation reports require that the total amount of authorized capital be shown, there is rarely a requirement in this country that such authorized capital shall be shown in the balance sheet, or in any other strictly financial statement. In fine, the amount of the authorized capital is a purely corporate matter and is not necessarily closely associated with the actual contributed capital. The amount of such authorized issue and the issues that have been made are always recorded in the Minute Book, and the information is obtainable at any time from that record. The term "Treasury Stock" should be reserved to designate stock that has been issued, but which has found its way back into the treasury of the company, either by purchase, when that is permitted, or by donation. So far as we know, the C. P. A. examining boards of the country have held to the views given in this answer. We trust, therefore, that you will be able to convince the bookkeeper to whom you refer, both on the ground of accepted practice and theoretical accuracy.

Q What is the proper treatment in the accounts of bonds bought at a discount, and is the term "amortization" properly applied to the process of bringing their value to par at maturity? Should there be a difference in treatment of securities bought for speculation and those bought for investment?—T. L. H.

A The variations in the price of bonds above or below par are technically considered as an interest adjustment, and as such should be allocated over the time until maturity. This process is usually called amortization, which has been defined as the writing off of any debit or credit balance over a number of accounting periods.

Where bonds are bought for speculation, the above process is not usually followed, but the bond accounts are debited or credited with the net amount paid or received therefor.

Q How should securities bought on margin be handled? For instance, the purchase of a bond for \$875, with an initial deposit of \$25 covering the margin, and subsequent payments, to be applied to the purchase price, of \$100 and \$50, and an interest payment on the bond of \$25.

Is the margin any part of the purchase price, and should accounts be raised with the broker and with the bond?—T. L. H.

estates in England. An easement, of course, is a thing not tangible.

A concern is engaged in the busi- Q

ness of selling articles on the instalment plan, the contracts calling for payments at stated intervals. Is the concern justified in setting up the amount called for on these contracts as Accounts Receivable? Should discount on all the accounts be figured and deducted to arrive at the exact present value of the contract amounts?

When the concern indicated has fulfilled its A portion of the contract, that is, has made complete delivery thereon, and the contracts are the ordinary contracts of purchase, it is customary to set up the amount of these contracts as Accounts Receivable. It is usual also to provide a reserve for possible losses thereon. In the ordinary statement prepared for a running business, it is not necessary to calculate possible discount in advance upon these accounts, as the discount is essentially connected with the collection and not with the sale, and should be borne by the accounting period, which has the advantage of the increased capital resulting therefrom. If the contracts are of long duration, the present value is sometimes calculated in statements where it is necessary to know the exact value. Such statements, however, are the exception and should not, ordinarily, form the basis for profit and loss calculations. Otherwise, one period will have to suffer a cost for which a succeeding period receives the benefit, which is contrary to the fundamental accounting principles of periodic divisions of income and expense.

Would you please explain to me estates in Q possession, reversion, remainder—also particular estate? I can't understand remainder being vested or contingent.—A. C. D.

An estate in possession is any interest that you A own and enjoy by virtue of your possession of the property itself.

An estate in reversion is one where the interest remains in the grantor, or his heirs, to be enjoyed by him, or them, upon the termination of the particular estate. For example, A grants an estate to B for his (B's) life. On B's death the estate would revert back to A, if living, or, if he is dead, to his heirs. Such an estate would be an estate in reversion.

An estate in remainder would be as follows: A grants an estate to B for his (B's) life, with remainder to C. C's estate would be an estate in remainder. B's estate would be the particular estate.

(Continued)

A On the books of the broker the customer's account is credited with all payments made by him, and with the interest received, and is debited with the bond purchased. The account after the above transactions would appear with a debit entry of \$875, and with credit entries for the \$25, \$100, \$50, and \$25, leaving the account with a debit balance of \$675. Such an account is said by the broker to be "long," and the difference between the debit balance and the market price of the bond is said to be the "margin" on the account.

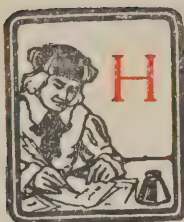
On the books of the customer the broker would be debited with the various payments made and with the interest on the bond, and would be credited with the cost of the bond. This account would appear after the above transactions with a credit balance of \$675. No separate account need be kept with the bond until it is delivered by the broker.

Q Does a woman cease to be an infant, in the legal sense, if she marries before she reaches her majority?—P. K.

A The general rule is that the marriage of a female infant emancipates her for all purposes. In New York, however, she remains an infant for all purposes until she reaches the age of 21, with the exception that her parents' control over her ceases at her marriage.

Q Do I understand the term "tenement" correctly, when I say it differs from an easement therein that it is made up of things tangible plus things not tangible, while an easement belongs altogether to the things not tangible?—P. K.

A In law, three terms are used to denote real property. The first, land, includes the soil and everything affixed to it. The term "tenement" is a broader term, and it not only includes the ground and whatever is affixed to it, but also any right or privilege growing out of the ground, such as the right of a person to pass over the ground. As an easement is merely a right or privilege which one has in the land of another, it is comprehended in the term "tenement." The term "hereditament" takes in anything that may be inherited, so that it includes soil and everything affixed to it and every right growing out of it, and it also includes any particle of personal property which under the law would descend to the heir, such as paintings in mansion houses of



ONESTY—a homely word but sweet, conveying to our grateful hearts a sense of security, of rugged fairness, of dependability, of virtue that carries far beyond the mere protection of property

rights.

Honesty

True, you must not without permission take and use my horse, my gold, my loaf of bread; but neither should you violate that higher honesty that apportions to each man the things to which he is justly and fairly entitled, regardless of statute law or court decision.

Honesty, on the part of the employer, advances the wage scale before the strike, or maintains it despite the strike; it provides, so far as humanly possible, good air, good light, good tools, disability and old-age benefits, education for advancement, and other legitimate products of co-operative effort, for the men and women who make capital productive.

Honesty, on the part of the employee, leads him to a cooperative view of his employment—a belief in his work and in his organization; it leads him to conserve for his organization the time he sells as though it were actual money; and it requires of him, so long as he serves, conscientious attention to duty regardless of supervision, and whole-hearted loyalty to the enterprise of which he is a part.

Honesty, in fine, rises above the letter of the law and the letter of the contract, and enters the realm of moral right and wrong, apportioning the credit, the blame, the wage, the salary, the profit, in accordance with a fair and conscientious interpretation of the rights of all.

Without the fundamental quality of honesty, the most artful and painstaking effort produces but a spurious imitation of worth, a structure foredoomed to ruin; with it we can build in a man, in a business, in a nation, every attribute of character and greatness, a structure fore-ordained to stand.

Reserve
for
Better-
ments

RAILROADS have found great advantage in withholding from the income of each year a certain definite amount as a Reserve for

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Betterments. With the constant increase of traffic demands and of competition, frequent betterments of trackage, of rolling stock, and of other equipment, are necessary to maintain the volume of traffic and to increase that volume.

Similarly, young men of to-day are finding it greatly advantageous to build up a Reserve for Betterments. The constant demands of Business and of competition require that the young man in commercial life must, with each year, be able to render better service, be equipped with more thorough knowledge and more definite technical training, than during the year before, in order that he may secure a better income or even maintain his relative position in the commercial world.

Is your reserve for personal betterments sufficient to meet the needs of the new fiscal year and of succeeding years? How many hours are you reserving from pleasure — how many dollars are you reserving from your weekly income—for this reserve, in order that you may by increased mental efficiency produce greater income and occupy a higher place in the Business World of tomorrow?

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PRODUCTIVITY is the thing, my son, productivity. Dreams, visions, plans, and hopes may properly find their way into

Productivity

your mental hopper, but the world measures you by the grist you grind. Encourage, if you choose, your longing for literary expression, your aspiration to clothe noble thoughts in enduring words, but in the meantime justify your board and keep by a tangible product—the selling of goods or the writing of letters. Dream yourself, if you choose, a great captain of industry—imagine yourself rewarding merit, alleviating the burdens of labor, and endowing universities—but down in the world where the rest of us live, please saw a little organization wood.

All honor to the boy who aspires to be President but who manages a paper route in the meantime, for he transmutes his dreams and hopes into the realities of service and profit; and all honor, too, to the bookkeeper who sees

his own shadow big on the screen of the future, but who to-day, now, offers a product of unflinching cheerfulness and accuracy in his work.

Produce, and your reward will be certain. Produce liberally, and your reward will be both certain and great.

"Ye shall know them by their fruits."

Your
Power
to Buy

MR. EMPLOYEE of the Fixed Income, our keen sympathy goes out to you in these prosperous days of war profits, of \$10 flour, of \$3 potatoes, of 60-cent eggs! Your little monthly stipend from the government, the city, or the school board, once did valiant service for you and wife and Johnnie and Susie. Of course, you and wife planned down to the nickel, even in those faraway days of affluence. There was so much for rent, so much for wood, so much for clothes, a little for incidentals, and a wee bit for the savings account. But by dint of thrifty management you lived in quiet comfort, never relieved from economic pressure, but with fair prospect of economic security.

The prices of the things you buy, however, are subject to variations; and the variations since you and wife went into partnership have been consistently in one direction—upward. Your Fixed Income, on the other hand, has been steadiness itself—the check each month for \$83.33, or \$100, or \$125 calls for the same number of dollars, if not for the same purchasing power, now as it did ten years ago. Perhaps your income has been rigidly advanced a notch—the extra \$8.33 or \$16.66 a month is more than offset by the increasing needs of Johnnie and Susie, and the demands of their husky little brother who drifted in on the crest of the high-price wave.

Little by little, the expansion of prices playing against the fixity of income has made itself felt. You have let little luxuries go by the board, wife has made over her hats, not once but twice, you have moved to cheaper quarters, you took temporary work during your last vacation, and your family must soon pass from stews and pot-roasts to meatless days, in true war style.

In fine, your real income—your power to buy—has been reduced by every advance in the price of commodities, and you find yourself, in common with many of your neighbors, facing an economic crisis.

You say the facts are well known—your interest is in the remedy; you ask the way out. There are easier problems to solve. Aside from the relief that would come with an era of lower

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prices—an era not yet in prospect—there are only two ways of changing the net results. The first is retrenchment of expenditure, a remedy

you have already applied, and there is a limit in this beyond which you cannot go. The other is to remove the fixity of income—the rigid part of the condition must be made to yield to your intelligence and ingenuity. Positions are not necessarily prison sentences for life, and the man who prepares himself for responsible work can market his services in an era of high prices, on a basis commensurate with the prices of other commodities. The remedy does not lie in a too-ready acceptance of a fixed income and an unjust limitation of buying power, but in vigorous preparation for usefulness and a proper marketing of developed capacity.

WHAT have you available in your Culture Account? Would an analysis disclose a knowledge of poetry, a familiarity with good prose, an appreciation of art, an understanding of music, a knowledge of history, the possession of a modern language, a control of the principles of politics and statecraft? Do your mental resources consist solely of the tools of trade—the pick and axe which you wield for daily bread? If you plead guilty to bankruptcy in culture in this day of grace, shame on you!

My barber, foreign-born, can educate you in music—he hears more operas in a season than many prosperous Americans do in a decade. I am acquainted with a chauffeur, foreign-born, with a small and limited income, who is an expert on ceramics—if the word is unfamiliar, look it up. I know a stenographer, foreign-born, who writes most creditable verse; an accountant, foreign-born, who speaks five languages. I also know many Americans, native-born, who by reason of early advantages and college training have respectable Culture Accounts.

As a nation and as individuals, however, we are vocationally strong, culturally weak. Apply the remedy—two hours a week, well directed, will accumulate a respectable balance within a year and provide you with some measure of the joy of life to which you are entitled.

In negotiation and argument be content to give a foot to gain a yard—a wise man is willing to trade fifty cents for a dollar.

A man who would rather have his own way in an argument than to sell goods had better keep off the road.

Culture
Accounts

KNOWLEDGE of Account-
ing is one of the most im-
portant subjects for any one,
and especially engineers, to know
in order to advance in Modern
Business, according to the anonym-
ous donor of \$600,000 to Colum-
bia University for a School of
Business.

In his letter to President Butler,
the donor says in part:

"For many years I have urged
upon the men controlling educa-
tional institutions the desirability
and necessity for a branch of study
that would give a knowledge of
business. There are scores of men
who must follow a business career
to every man who can have a pro-
fession. Again: The professional
man, in a large majority of cases,
especially engineers, will look for-
ward to the time when he can em-
ploy professionals, or to the time
when his success in his profession
will place him in the management
of a large property. But if he has
no knowledge of business, especial-
ly a knowledge of accounting, how
can he expect to direct others who
possess such knowledge?"

"Scores of times, during the last
third of a century, have I had
young engineers, fresh from col-
lege, apply to me for employment,
and almost invariably they have
stated that the amount of the sal-
ary was a secondary consideration,
that their desire was to get em-
ployment with our company, where
they would have prospects of
eventually reaching the position of
manager of one of our properties.
I generally asked them if they
had a knowledge of accounting.
Almost invariably they had not. I
would advise them to take a six
months' course in a commercial
school and then again make appli-
cation for employment.

"During the last twelve or fif-
teen years there has been an im-
provement, and fewer institutions
turn out utterly helpless gradu-
ates."

The above is but one of many
evidences of the fact that Modern
Business is placing greater and
greater value upon a knowledge of
Accounting and allied subjects as a
prerequisite to commercial suc-
cess.

DEVELOPING the personal
equipment of business or-
ganizations is to-day a sub-
ject engrossing the minds of em-
ployers and captains of industry.
Fifty years ago the perfection of
physical equipment necessary for
production demanded supreme at-

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tention, but accomplishment in this
direction has been so stupendous
within recent years that the oppor-
tunities for further development
along the line of material equip-
ment have been well-nigh ex-
hausted. This is the opinion of F.
C. Hendershott, of the New York
Edison Company, as reported in an
article appearing in The New York
Evening World, November 21,
1916.

Mr. Henderschott believes that
the employment question is the
most important problem confront-
ing the great corporations at this
time. To build up a capable and
permanent force of employees that
will be loyal to the interests of
their organization and will be
happy in the performance of indi-
vidual duties is an achievement of
no small moment. An employment
department under the control of
some responsible official should
form part of the organization of
every large company, Mr. Hender-
schott thinks, and intensive consid-
eration should be given to the em-
ployment or discharge of each
member of the staff. Other fea-
tures, educational, recreational, and
the like, should also be included in
the functions of the employment
department. Apropos of welfare
work, Mr. Henderschott is quoted
as saying: "The best way is to put
it in the hands of the employees,
encouraging and helping, but in no
sense directing their recreational
activities. Safety and education,
however, are properly the direct
concern of every employer of la-
bor."

A concrete illustration of educa-
tional and welfare work in a large
corporation is to be found in the
New York Edison Company, of
which Mr. Henderschott is head of
the Bureau of Education. The edu-
cational features include a Techni-
cal School, a Commercial School,
and an Accounting School, offer-
ing courses designed to develop
the efficiency of the employees.
Among the welfare features are
full compensations to injured em-
ployees, service annuities, savings
and loan shares, as well as social
and beneficial features derived
from membership in the Employees'
Association.

To quote once more from Mr.
Henderschott's remarks, "The
modern employer is coming to

realize that his true monument is
not a great factory, but is a great,
efficient, loyal, happy organiza-
tion."

IT is estimated that about \$25,-
000,000 was distributed by busi-
ness organizations of New York
in December to their employees as
Christmas bonuses, and that ten
times this sum was distributed
throughout the country. The high
cost of living is given as the imme-
diate cause of the bonuses, although
the giving of bonuses as a business
policy is more popular with em-
ployers than increasing wages.

American industries and business
organizations have been unusually
prosperous during the past year.
This fact has made the granting of
bonuses possible. The lead in cor-
poration giving was taken by the
Guaranty Trust Company, which
set aside \$300,000 for distribution
as bonuses among its employees.
Many other organizations then did
the same thing, the amounts set
aside varying from twenty to five
per cent. of the employee's annual
salary or wage.

Some of the largest concerns
that gave bonuses to their em-
ployees are The American Tele-
phone & Telegraph Company; The
Western Union Telegraph Com-
pany; The Standard Oil Company
of New Jersey; The Atchison, To-
peka & Santa Fe Railroad; The
United States Steel Company; The
Jones & Laughlin Steel Company;
The General Electric Company;
The du Pont Powder Company;
The National City Bank; and J.
P. Morgan & Company.

Other organizations that either
increased the wages of their em-
ployees or gave them substantial
bonuses are The Liberty National
Bank; The Equitable Trust Com-
pany; The National Surety Com-
pany; The Union Bag and Paper
Company; The National Blank
Book Company; The Henry Mail-
lard Company; The Barrett Com-
pany; The Kohler & Campbell
Company; The Aluminum Goods
Manufacturing Company; The New
York Stock Exchange; The New
York Cotton Exchange; and The
New York Produce Exchange.

The above concerns and organ-
izations are only a few that might
be mentioned. The significant
point is that Modern Business, in-
stead of appearing in the heartless
light in which it is often carica-
tured, is actually mixing sentiment
with business and finding it good
sense to do so.

Bonuse

Frank A. Vanderlip, LL.D. is rapidly extending the foreign markets for American trade.

Continued) Mr. Vanderlip, because of his patriotic interest in municipal, state, and national matters, and in education, has been highly honored in many ways. He has been chairman of the Finance Committee of the New York Chamber of Commerce, and president of the New York Clearing House. He is a trustee of New York University and the Carnegie Foundation, and a life trustee of the Massachusetts Institute of Technology. He has been the recipient of many honorary degrees—among them LL.D.—from various colleges and universities.

Mr. Vanderlip is an intense believer in continuous education for the man who would fully develop his latent powers. His own career is largely the result of intensive and constant study. He, more than any other one person, is responsible for the comprehensive educational system which the National City Bank has worked out for the development of its one thousand or more employees. He is the author of numerous addresses on economic and financial subjects and of a widely read book called *Business and Education*, an excerpt from which follows:

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"The changed scope, character, and methods of Modern Business have united to demand men with a training superior to anything that was ever needed before as the successful commercial leaders of the future. That training cannot be had in the highly specialized processes of the routine work of the office. The practical school of experience is too wasteful as a teacher of general principles. There will, of course, be the exceptional man who will come up through that routine training and dominate his field by the force of his intellect, but in the main the new condition of affairs demands a superior training such as only the schools can give."

Any sketch, however brief, of Mr. Vanderlip's life that left out all reference to his personality would be inexcusably weak, for Mr. Vanderlip is a man that inspires not only loyalty and respect, but real affection, on the part of all with whom he has business or social relations. Affable and approachable, considerate of others and wishing to help them in every way possible, simple

and straightforward in manner and speech, and always generous and just, he has built up an esprit de corps among his associates, from vice-presidents to office boys, that is little short of marvelous. If ever a man deserved the fullest measure of success, it is Frank A. Vanderlip, once machine-shop worker, now world banker, world patriot, and the highest-quality product of the magic American opportunities of to-day.

GEORGE W. MOORE, C.P.A. (W. Va.), Washington School of Accountancy, has accepted a position on the staff of Price, Waterhouse & Company. Mr. Moore was formerly employed as General Bookkeeper for the National Bank of Washington.

LOUIS GANSNER, New York Institute of Accountancy, has severed his connection with the Citizen's Central National Bank to enter public accounting practice on the staff of Lovejoy, Mather & Hough.

MAURICE CANTER, Detroit Technical Institute, has taken up his residence in New York City and has joined the staff of Henry Homes, C.P.A. Mr. Canter was formerly engaged in accounting work for the Ford Automobile Company.

Midyear Openings of Schools Giving Pace Courses

THE following is the schedule of the midyear opening dates of several of the Accountancy Schools giving Pace Courses:

Pace Institute of Accountancy, Boston, Mass.—Monday, Jan. 29
Buffalo School of Accountancy, Buffalo, N. Y.—Thursday, Feb. 1
Pace Institute of Accountancy, Hudson Terminal, N. Y.—Thursday, Feb. 1
Cleveland School of Accountancy, Cleveland, Ohio—Friday, Feb. 2
New York Institute of Accountancy, 23d St. Y. M. C. A., N. Y.—Friday, Feb. 2
Newark School of Accountancy, Newark, N. J.—Monday, Feb. 5
Detroit Technical Institute, Detroit, Mich.—Monday, Feb. 5
Accountancy Institute of Brooklyn, Central Y. M. C. A., B'klyn, Tues., Feb. 6
Baltimore Institute of Accountancy, Baltimore, Md.—Thursday, Feb. 8
Washington School of Accountancy, Washington, D. C.—Friday, Feb. 9
Chicago School of Accountancy, Chicago, Ill.—Wednesday, Feb. 7
St. Louis School of Accountancy, St. Louis, Mo.—Thursday, Feb. 8

The meeting hour for each opening session is 7:45 P.M. There will be thoughtful addresses on various practical aspects of Accountancy and Business Administration. In every case the speaker will be either Homer S. Pace, C.P.A., or Charles A. Pace, of the New York Bar. All who are interested in Business as a profession, and in the educational preparation for that profession, are invited to attend, without any obligation whatever to enroll.

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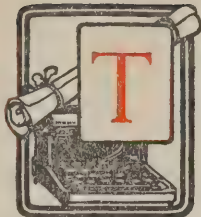
30 Church Street

New York

Horatio N. Drury, B.A.

Use of "Shall" and "Will"

Rules



THE proper use of *shall* and *will* is one of the most perplexing aspects of Grammar — needlessly perplexing, to a considerable degree, as will be observed from a study of this article.

Shall and *will* always express one of two thoughts—futurity or volition. By futurity is meant what is thought of as destined to come to pass in the natural order of events, without any intervention on the part of the framer or the subject of the sentence. By volition is meant what is destined to come to pass as a direct result of intervention on the part of the framer or the subject of the sentence. Volition may take the form of a promise, an intention, a determination or a resolution, a threat, a wish, a command, a request, a desire, a permission. The first question to be settled by the framer of the sentence is whether he wishes to express futurity or volition. In many cases, of course, either futurity or volition may be defended.

It is convenient to think of *shall* and *will* as being used in one of three separate kinds of word-combinations—in independent clauses, in dependent clauses, or in questions. Although there are a few exceptions to the following principles governing the use of *shall* and *will*, what is said holds true in the majority of cases.

In Independent Clauses.

In order to express futurity, use *shall* with *I* and *we* and *will* with all other subjects. In order to express volition, use *will* with *I* and *we* and *shall* with all other subjects.

In Dependent Clauses—First Subdivision

In noun clauses introduced by *that*, expressed or understood, with a subject different from the subject of the main verb, to express futurity, use *shall* with *I* and *we*, and *will* with all other subjects, and to express volition, use *will* with *I* and *we*, and *shall* with all other subjects.

These are the same rules as govern the use of *shall* and *will* in independent clauses.

In Dependent Clauses—Second Subdivision

In all other dependent clauses, to express futurity, use *shall*, and to express volition, use *will*, no matter what the subject may be.

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In this classification belong noun clauses introduced by *that*, with the subject the same as the subject of the main verb; dependent clauses introduced by relative pronouns—*who*, *which*, *whoever*, *whatever*, and the like; and dependent clauses introduced by such conjunctive words as *if*, *unless*, *though*, *since*, *when*, and *whenever*.

In Questions

Always say *shall I* and *shall we*, for the speaker is presumed to know his own will.

In all other questions use *shall* in the question if *shall* is expected in the reply, and *will* in the question if *will* is expected in the reply.

Steps of Procedure

To use *shall* and *will* correctly, then, observe the following sequence of thought:

Thought to be expressed—futurity or volition.

Word-combination used— independent clause, dependent clause (which subdivision), question.

Rule involved.

Application of rule.

Examples

The blanks in the following sentences mean that *shall* and *will* is to be considered for insertion.

I _____ write the letter.

Thought to be expressed—volition.

Word-combination— independent clause.

Rule involved—use *will* after *I*, to express volition.

Application of rule—I will write the letter, is correct.

Or,

Thought to be expressed—futurity.

Word-combination— independent clause.

Rule involved—use *shall* after *I*, to express futurity.

Application of rule—I shall write the letter, is correct.

You _____ be expected to be present at the conference to-day.

Thought to be expressed—futurity.

Word-combination— independent clause.

Rule involved—use *will* after all subjects except *I* and *we*, to express futurity.

Application of rule—You will be expected to be present at the conference to-day, is correct.

The horses _____ be shod this afternoon.

Thought to be expressed—futurity. Example

Word-combination— independent clause.

Rule involved—use *will* after all subjects except *I* and *we*, to express futurity.

Application of rule—The horses will be shod this afternoon, is correct.

Or,

Thought to be expressed—volition.

Word-combination— independent clause.

Rule involved—use *shall* after all subjects except *I* and *we*, to express volition.

Application of rule—The horses shall be shod this afternoon, is correct.

The boys _____ be punished for their mischievous conduct.

Thought to be expressed—volition.

Word-combination— independent clause.

Rule involved—use *shall* after all subjects except *I* and *we*, to express volition.

Application of rule—The boys shall be punished for their mischievous behavior, is correct.

Or,

Thought to be expressed—futurity.

Word-combination— independent clause.

Rule involved—use *will* after all subjects except *I* and *we*, to express futurity.

Application of rule—The boys will be punished for their mischievous behavior, is correct.

My friend says that he _____ not be able to attend the meeting.

Thought to be expressed—futurity.

Word-combination— second subdivision of dependent clauses.

Rule involved—use *shall* with all subjects, to express futurity.

Application of rule—My friend says that he shall not be able to attend the meeting, is correct.

John has told me that his sister _____ attend college in the fall.

Thought to be expressed—futurity.

Word-combination—first subdivision of dependent clause.

Rule involved—use *will* with all subjects except *I* and *we*, to express futurity.

Application of rule—John has told me that his sister will attend college in the fall, is correct.

Or,

Thought to be expressed—volition on John's part.

(Continued)

Word-combination—first subdivision of dependent clauses.

Rule involved—use *shall* with all subjects except *I* and *we*, to express volition.

Application of rule—*John has told me that his sister shall attend college in the fall*, is correct.

George insists that he _____ go to the picnic.

Thought to be expressed—volition.

Word-combination—second subdivision of dependent clauses.

Rule involved—use *will* with all subjects to express volition.

Application of rule—*George insists that he will go to the picnic*, is correct.

George insists that his brother _____ go to the picnic.

Thought to be expressed—volition on George's part.

Word-combination—first subdivision of dependent clauses.

Rule involved—use *shall* with all subjects except *I* and *we*, to express volition.

Application of rule—*George insists that his brother shall go to the picnic*, is correct.

If it _____ appear that you are right, I will apologize.

Thought to be expressed—futurity.

Word-combination—second subdivision of dependent clauses.

Rule involved—use *shall* with all subjects, to express futurity.

Application of rule—*If it shall appear that you are right, I will apologize*, is correct.

If Henry _____ pay the bill, the suit will be dropped.

Thought to be expressed—volition on Henry's part.

Word-combination—second subdivision of dependent clauses.

Rule involved—use *will* with all subjects, to express volition.

Application of rule—*If Henry will pay the bill, the suit will be dropped*, is correct.

I request that you _____ remain seated.

Thought to be expressed—volition on your part.

Word-combination—second subdivision of dependent clauses.

Rule involved—use *will* with all subjects, to express volition.

Application of rule—*I request that you will remain seated*, is correct.

_____ we start now?

Thought to be expressed—futurity.

Word-combination—a question.

Rule involved—use *shall* with *I* and *we* in all questions.

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Application of rule—*Shall we start now?* is correct.

_____ you receive the caller?

Thought to be expressed—volition because volition is implied in the answer "Yes, I will receive him."

Word-combination—a question.

Rule involved—use *will* in the question, because *will* is expected in the answer.

Application of rule—*Will you receive the caller?* is correct.

Or,

Thought to be expressed—futurity, as being your custom.

Word-combination—a question.

Rule involved—use *shall* in the question, because *shall* is expected in the answer.

Application of rule—*Shall you receive the caller?* is correct.

_____ the lawyers adopt the proposed resolution?

Thought to be expressed—futurity, if the lawyers are thought of as accepting the resolution as a matter of course.

Word-combination—a question.

Rule involved—use *will* in the question, because *will* is expected in the answer.

Application of rule—*Will the lawyers adopt the proposed resolution?* is correct.

Or,

Thought to be expressed—volition on the part of the lawyers or of another agency.

Word-combination—a question.

Rule involved—use *shall* in the question, because *shall* is expected in the answer.

Application of rule—*Shall the lawyers adopt the proposed resolution?*

Specials Points Regarding the Use of *Shall* and *Will*.

In a military order *will* with the second and third persons is correct, to express a command.

Example—*You will* (command on the part of a superior officer) take charge.

After the expressions *It is* (*was*, etc.) *requested* or *desired*, always use *shall* in the dependent clause.

Examples—*It is requested that no employee shall leave before five o'clock.*

It is desired that goods shall be sold for cash only.

I and *we* should be followed by *shall* in all expressions implying

courtesy—such expressions as *be pleased, be glad, be happy, be honored, be favored*, and the like.

Example—*We shall* be pleased to have you take luncheon with us at the Harvester Club.

The correct use of *shall* and *will* depends upon a mastery of the principles of usage laid down in this article. These principles are few in number; they are universally applicable; they are not difficult to learn. The conclusion therefore is inescapable that whoever constantly confuses his *wills* and his *shalls* does so because of mental laziness or inexcusable ignorance.

ELIAS MANSFIELD, Los Angeles School of Accountancy, is now living in New York City, where he is engaged in public accounting work on the staff of William A. Mulligan, C.P.A.

LESTER H. LYONS, Accountancy Institute of Brooklyn, has severed his connection with F. A. Sellers, C. P.A., to accept a post as Accountant for the All-Package Grocery Stores Company.

JOSEPH B. BAERNCOFF, Newark School of Accountancy, has severed his connection with the Public Service Corporation to accept a position as Auditor on the staff of S. H. Wolfe, Insurance Accountant.

ROBERT C. BEERS, Accountancy Institute of Brooklyn, has recently joined the staff of Arthur Young & Company. Mr. Beers was formerly connected with Philip B. Gaynor, C.P.A.

CHARLES R. LAW, New York Institute of Accountancy, has taken up his residence in New York City and accepted a position as bookkeeper for the Maxim Munitions Corporation.

CHARLES E. WELDON, Pace Institute of Accountancy, has accepted a position in the accounting department of the Pacific Commercial Company. Mr. Weldon was formerly employed as bookkeeper for the Fessenden Cooperage Company.

EDWARD M. MILLER, Pace Institute of Accountancy, has accepted a position as bookkeeper for the Concrete Steel Company. Mr. Miller was formerly employed by Messrs. Comstock & Washburn.

R. A. BODKIN, Accountancy Institute of Brooklyn, is engaged in the practice of Public Accountancy at 80 Wall Street, as a member of the firm of Bodkin, Teschke & Co.

(Continued)

In the above case the remainder would be a vested remainder, that is, it must come to C immediately upon the death of B, and if C is dead, to his heirs. A contingent remainder is one which may become vested, but the estate may be defeated by the performance or non-performance of a condition. For example, A grants an estate to B for life, with remainder to the heirs of C, who at the time of the grant is living. A living man does not have heirs, although he may have children, nephews, nieces, etc. If in the case given C dies before A, then, of course, C would have heirs and the heirs would take the estate. If on the other hand B dies before C, C would not have heirs and the remainder could not vest. Consequently, a contingent remainder is one where no present interest passes because of an uncertainty as to whether there will be any one to take when the particular, or first, estate expires. In the case of a vested remainder, a present interest does pass and the remainderman can dispose of that interest, subject, of course, to the rights of the person holding the first or particular estate.

Ac-
counting
Experi-
ence

REALIZING the great importance of the subject of practical accounting experience to all members and would-be members of the Accountancy profession, the Committee on Education appointed by the American Association of Public Accountants (now reorganized as the Institute of Accountants) devoted its energies during the year which closed last September to an investigation and consideration of this vital question. The results of the Committee's labors are given in their report, which was presented at the annual meeting of the Association.

Two important phases of the question of practical accounting experience are covered in the Committee's report. The first phase is the construction placed by boards of examiners on the term "practical accounting experience" when used in the statutes, or in the rules of examination of candidates for the C.P.A. certificate. The second phase is that of the laboratory methods in use at various colleges and universities, which provide practical accounting experience for the undergraduate. It is stated in the report that because of insufficient time the investigation of the Committee had been limited to the courses given in colleges and in universities, al-

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though reference is made in the report to the work of two private schools, the Pace & Pace course and the Walton course.

That the term "practical accounting experience," used in a state law is capable of being variously construed and thus of causing confusion or worse, is shown in the Committee on Education's report. It is pointed out that the term in question is not defined or described in any state law when the phrase is used alone; nor is the full nature or extent of the term disclosed when it is used in apparent contrast to "public accounting." To quote from the report: "Some of these state laws seem to distinguish between 'practical accounting experience' gained in public practice from that acquired elsewhere. This distinction exists in no less than twelve states. The general term 'practical accounting,' or words of similar import, used by itself, unlimited, undefined, unrestricted in meaning, not distinguished from public experience, exists in the laws of a majority of the states. Other state laws construe two or more years' study in an accounting

school as the equivalent of training in the office of a public accountant. Several boards have construed the accounting experience gained by a chief bookkeeper or auditor of a large business venture, if extensive, as practical experience sufficient to meet the requirements. Six states have no experience requirements whatever embodied in their laws.

"This loose phraseology has caused intolerable mischief. But to the credit of by far the larger number of the state boards be it said that they have sought (after the miserable waiver clause—when that existed—had expired) to prevent practical accounting from being held *idem significans* with bookkeeping."

The Committee expresses the belief that but little injury has resulted thus far to the Accountancy profession from the lack of standardization of requirements, except where the "waiver clause" has lowered the value of the C.P.A. certificate in several instances.

Under the section of the report devoted to laboratory methods the Association's Committee on Education gives a description of the work classifying under the term, and a report on departments of commerce and accounts in American universities and colleges.

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CORRESPONDENCE schools like the common public schools will grow in number and influence as the demand increases, not only for popular education, but also for a continuous education which lasts far beyond the 'school days' of the active man, whether he be mechanic, professional, or business man." This opinion was expressed by Dr. Lee Galloway of New York University in an article appearing recently in *The Annals of the American Academy of Political and Social Science*.

"The extent of the influence of correspondence schools at the present time may be judged by the vast armies of students enrolled and by the immense expenditures made in preparing and announcing the courses of instruction," says Dr. Galloway. "Thousands of men and women are inspired to undertake educational work, and where high ideals and standards are maintained by the schools, great is their power for good."

Dr. Galloway classifies the courses offered in correspondence schools into three groups: (1) general training in fundamental subjects, (2) specialized technical training (such as the Pace Accountancy Course), and (3) general commercial training. The text and lesson material used by the schools and the service rendered to the students are also discussed by Dr. Galloway. Emphasis is laid on the need for the right kind of criticism and help for the student, and on the value of encouragement to those whose enthusiasm has begun to wane or whose path is beset with difficulties.

ASPECIAL commercial news bulletin found its way to our desk the other day. It is so pat and tersely worded that we append it.

"Believing that a salesman's address is a big factor in his ultimate success the National Cash Register Company is devoting its energies to developing salesmen along that line. It is conducting classes in voice culture, encouraging the men to study Business English, and continually emphasizing how important it is to use the right word in the right way.

"While this may seem rather far-fetched to some of us, and while we are apt to think that 'how we say it' is of small consequence, still we must admit that being able to

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express our thoughts clearly, smoothly, and in good English is a decided asset—especially in selling to the better classes of business executives who might look down on a salesman not his equal in this respect. If you will think back over your early experience in selling, you will doubtless recall various sales where a better knowledge of the choice and application of words would have made the sledding much easier.

"Perhaps the most serious mistake made by most salesmen in selecting words is to overindulge in superlatives—words we use to describe our goods or our service. The National Cash Register Company impress upon their men that it is dangerous to use superlatives in selling. They even go so far as to hold that it is often better to underestimate a quality, than it is to overestimate it.

"The reason for this is quite plain if one stops to reason it out. When you describe a thing with such words as, 'best' 'unsurpassed' 'best in the world' with a desire to exaggerate, even if your product is the best in the world, he won't believe it just because you say so, so he discounts your statement, and, of course, discounts your entire selling talk likewise. He puts you down as being over-enthusiastic. Your statements don't ring true.

"On the other hand, it is human nature to credit a man with more than he claims, if he states his claims with a depreciating smile and in a soft tone. It rings truer when you tell a man that with one exception your goods are the best on the market, than it does to use the tongue-worn expression 'best in the world.' Your prospect will regard one as a reserved and frank statement of fact, while the other will be merely an expression.

"Taken individually, cases where superlative phrases are extravagantly used are not of serious consequence. They would not make or break a sale. But where they get in their deadly work is in giving 'tone' to our character. And that is quite a serious matter, because it directly affects a buyer's confidence in us, and as we all know confidence must be the first step in a sale.

"Successful writers of sales lit-

erature, especially in businesses where results from each letter can be carefully checked, declare that fifty percent of writing a winning letter is to give it a 'tone' of sincerity. And they do this by carefully refraining from using words or statements that might sound the least exaggerated. Some mail order houses carry this so far that they deliberately understate a value, rather than make a statement which, though true, could not be readily believed. Watch your little words. 'Don't overindulge in superlatives. Above all avoid meaningless generalities.'"

QUESTIONS arising in connection with the systems of accounts prescribed for telephone companies by the Interstate Commerce Commission may be answered in many cases by consulting *Accounting Bulletin No. 11*, issued by the Commission a few months ago. "This accounting bulletin contains answers to accounting questions which have been raised since the issuance of the systems of accounts and is published in order that uniformity may be had in the application of the rules laid down in the systems of accounts. It is supplementary to, and should be used in conjunction with, the systems of accounts prescribed for Class A, Class B, and Class C companies." The foregoing quotation is taken from an article on *Accounting Classifications* published in the *Telephone Engineer*, September, 1916.

Telephone Accounts

THE Year Book (1916) of the Institute of Accountants in the United States of America (including the American Association of Public Accountants) contains, in particular, three records which should be in the library of every student of Accountancy:

Three Valuable Records

A Directory of the thousand Public Accountants who are members of the Institute.

The C.P.A. Laws of the 40 states which recognize, by legal enactments, the Profession of Accountancy.

Specific information in regard to the Departments of Commerce and Accounts in the Universities and Colleges of the United States.

We take this opportunity to suggest that \$1.65 is a very reasonable price for these records, together with all the Convention reports of the Institute. Order direct from The Ronald Press, New York, mentioning *The Pace Student*.

Tom
Lacks
Loyalty

"THIS is sure a fine place to work in, if you say it quick!" exclaimed Tom, disgustedly. "A fat chance a fellow has to get ahead here! All those ginks in the front office think about profits and dividends. They don't care a tinker's hurrah about us poor boobs that do all the work except to get as much as they can out of us without paying any more than they have to. Talk about opportunities for a chap to get ahead. Nothing but 'bull,' and it's worse here than anywhere else I know of."

"Quite an anarchist this Saturday afternoon, aren't you?" commented Walter drily. "Everything that is in Business is wrong, and especially in the concern in which you earn your bread and butter; and all because you've made a mistake in your trial balance and have to stay here overtime on Saturday! Your reasoning power does you great credit!"

"That's all right. Make fun of me if you want to," rejoined Tom, nettled at Walter's ironical reply; "but I'd like to know where this old sweat-box would go if it wasn't for fellows like us. It wouldn't last a year; it would go on the rocks the first thing you know."

"Get back to earth!" answered Walter. "You're not saying anything; you're just exercising your jaws, and you know it. You've got a splendid chance for promotion

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right here; so have I; so has every other young fellow that develops his usefulness for a bigger thing than he's doing. It's simply a question of delivering the goods."

"Like fun it is!" began Tom, grouchy.

"You've talked enough," continued Walter, regardless of Tom's interruption. "It's my turn now. You spoke about the men in the front offices. Every one of them fought his way up to where he is now from a routine job, and most of them began with this company. And there was one thing that they all had from the start and always kept, whether you know it or not."

"What was that?" queried Tom, showing a little interest.

"Loyalty," snapped Walter, "Loyalty to their jobs, loyalty to the officers, loyalty to the organization. If things went askew with them, they didn't begin to pan everybody and everything in sight; and they've got ahead. So will you, if you wait awhile and show that you are loyally devoted to the best interests of the company. If you keep on snarling and crabbing, you'll stay where you are or be kicked out. Mark what I tell you!"

"I guess there's something in what you say," replied Tom, his common sense returning, especially now that he had recalled the oversight that had caused the trouble in his trial balance. "I'll try to keep the lid on my temper. I know you don't get anything by letting off steam."

Tom has come to his senses. Nobody gains anything, even under trying circumstances, by saying spiteful, disloyal things about the organization. One of the most valuable qualities that any man can possess who wishes to progress and succeed in Business is loyalty. It is loyalty that makes personal and organizational achievement possible. Walter knows that to be true, and Tom will have to learn its truth before he can give the best of himself to his daily work, and thereby brighten his chances for advancement.

HARRIE I. WEINER, Accountancy Institute of Brooklyn, has recently entered the practice of public accounting on the staff of the Twentieth Century Audit Company.

RICHARD FITZGERALD, New York Institute of Accountancy, has accepted the Comptrollership of Marsden, Orth & Hastings. Mr. Fitzgerald's broad experience in accountancy practice eminently qualifies him for the important duties of his new position.

Judging from the Past

Every year the demand for copies of The Annual Review of The Annalist, issued the first week in January, exceeds the supply and the edition is quickly exhausted.

The Annual Review of The Annalist contains the most complete and exhaustive summaries of business and industrial development to be found in any publication.

Forecasts of the commercial prospects for the coming year occupy an important place

Tabular and Statistical data gathered together in reviews form a treasury from which the man who is interested in the commercial development of the United States can draw without stint.

To anticipate the demand for The Annual Review and to place these facts within reach of all, we will send the next six issues of The Annalist, including The Annual Review, to any address, postpaid, on receipt of 50 cents, money or stamps.

The Annalist

The Journal of Finance, Commerce, and Economics

TIMES SQUARE

NEW YORK

FEB 24 1916

The PACE STUDENT

Vol. II

New York, February, 1917

No. 3



NCE you have mapped out and actually begun a course of study with a plainly staked goal in view, the question of supplementary reading comes up for settlement. You ask: What shall I read? How shall I read? Here are six suggestions.

First, concentrate your mental efforts entirely upon the course of study you have begun, trying to grasp and assimilate the view-point of the course as laid out and presented, and the view-point of the instructor in his class-presentation. Do not give the matter of supplementary reading any attention at all, until you are far enough along in your work to establish a standard of comparison. This caution applies with peculiar force to technical and professional subjects—to Accountancy and Business Administration, for example. If you begin a new course of study and supplementary reading at the same time, you are likely to scatter your mental energies and to become confused and perplexed in your attitude toward your studies. It is better at first to focus your mind exclusively on the course itself.

Second, carefully compute the amount of spare time you will have for supplementary reading, after you have come to understand the view-point of the course. Make your computation on the weekly rather than on the daily or monthly basis; your schedule will work out better. Be sure to undercompute, if anything, the number of spare hours you will have for this purpose; then stick to your schedule, actually doing every week at least the minimum amount of reading that you plan to do.

Third, divide what you finally pick out to read into two kinds of books and articles—those that

have a broad and somewhat general bearing upon your course of study, and those that have a very specific bearing upon it. Suppose you are planning to become a practicing accountant, for example. Assuming that you are well along in your course, begin to read articles on finance, economics, law, principles of organization and management, and salesmanship, even, for all these subjects have a broad bearing upon Accountancy. Then read articles that bear specifically upon your studies; for example, on auditing methods, accounting technique, cost finding, office systematization, and the like.

Double-track reading of the above kinds, if begun at the proper time, will both broaden your view-point and reinforce your specialized knowledge.

Fourth, select what you read with due regard to authoritativeness. A book that was standard twenty-five or fifty years ago may or may not be standard to-day—usually not. Find out, and keep up to date. Do not waste time in reading what is obsolete and expressive of a different kind of age, except for purposes of contrast and comparison. As to what

is authoritative, go for counsel to men of knowledge and experience, to the periodicals and journals, and to the libraries. If you will ask intelligent questions, you will find little trouble in having them answered adequately.

Fifth, now comes the question of how to read. Some books and articles you may skim over, reading as rapidly as the eye can take in the printed page. Indeed, here and there in books of this kind it will be proper for you to skip chapters and parts of chapters, your own judgment telling you what to read and what to pass over. You should be familiar with such books, but only in a general way. Then there are other books and articles which you should read with

**Supplementary
Reading**

by
*Horatio
N.
Drury*

LEADING ARTICLES

Harrington Emerson

Biographical Sketch

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Question and Answer

Department

Pages 42-43

Factory Statements

Pages 46-47

Use of "Should" and "Would"

Page 48

Pointers for Exporters

Page 49

intense concentration. The counsel of others, supported by your own judgment, will tell you what these books are.

Sixth, as to the books and articles that you read intensively, read with an understanding mind. Get at the meaning—the kernel of the thought—paying only casual attention to the manner of expression. Then think over what you have read, agreeing or disagreeing with it, comparing and contrasting it with what you have learned in your course, and advancing reasons in support of your final conclusions. Arrange, if possible, to discuss the results of your reading with some one else—preferably either with one who has had wider experience than you, or with one who is following the same course of reading. The sparking of mind upon mind is one of the essentials of real education.

The foregoing are a few simple hints, which, if carried out faithfully, will make the time you spend upon supplementary reading definitely productive.

Good in Every-body **T**HERE'S good in everybody and everything if you'll only look for it, and when you find it, as you always can, why it sort-a makes you feel good yourself. Leastwise, I find it so." He who said this had shared my sleeping compartment on a recent trip between two far-distant cities. In the morning we had got acquainted, and we were now talking freely of many things.

I looked at him with a new interest, for the note of sincerity was in his voice and the light of honest conviction in his eyes. Old he was, as years are counted—sixty-nine, he had said; his hair was thick and grizzled; his smooth-shaven face was tanned, and many deep lines furrowed it; his big red hands were knotted and knarled from thirty years at the throttle of a locomotive; his clothes hung on him loosely, as if to give him quick freedom of body and limb if need should arise; and one leg was shorter than the other. The spirit of the Far West—the pioneer West—was in him and of him, and he gave it off whenever he talked or listened. A man who had lived at the core of life—not a surface-dweller—you sensed him to be.

As I looked at him, I felt myself rebuked, for I had expressed myself upon certain subjects with intolerance and a touch of cynicism, as to men and their motives. Abashed, I shifted the conversation to other things, and upon all of them he expressed himself with kindly sympathy. A little later he said good-bye and hobbled off the train. Probably I shall never see him again, but

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I shall not forget his philosophy, which, as I talked to him, took on a new meaning. In it he has found happiness, and it is true happiness, for it is based upon the truth. My better self tells me that it is a good enough philosophy for any one of us.

HAVE you ever considered the relation that your education bears to the formation of your character? That grand word "education" has been so abused during this enlightened age of ours that its true meaning has been clouded to some extent. Many men maintain that it means the acquisition of culture; others, that it denotes the training of the mind; and others, that it is the possession of knowledge and information to be used in the after life of the individual.

Educa-
tion
and
Charac-
ter

The object of true education is the formation of character. The literal meaning of the word is a "drawing out"; that is, the development of the intellectual, moral, and physical faculties of man in order that he may with the greatest efficiency fulfill his vocational destiny in life. This process is the means whereby man may develop the abilities with which he has been endowed toward the great end of his training—the formation of character. The educated man is, therefore, in the strict sense, a man of character.

The student of the Pace Courses is afforded an exceptional opportunity to secure the object of true education. Leaving aside the physical aspect of the matter, which of course is a concomitant of earlier school work, we may confine ourselves to the intellectual and moral aspects of the subject. The Pace student's intellect is sharpened by the problems that he must master, and his mind is made active by the constant exercise of answering difficult questions in a concise and terse manner. His moral fibre is developed by the willing sacrifice of evenings following hard days of labor and by the added burden of night study; and it is strengthened by the happy consciousness that he is progressing in the great work of self-development.

Keep in mind, therefore, the main object of your education. It should mean to you, not merely the acquisition of practical knowledge for use in commercial life, but the possession of that most noble product of man's free will—the foundation of the work of the world—firm and upright character.—Contributed by W. H. Hirschmann, Pace Institute, 1916.

Men who have made a habit of shirking, frequently find themselves bossed by their former companion who refused to shirk.

Harrington
Emerson,
Esq.

BACK in the early seventies, when the Franco-Prussian War broke out, an impressionable seventeen-year-old American boy, who was then going to school in Germany, was an eyewitness of the mobilization of the German troops within eighteen days. He talked with soldiers and officers who were quartered in his father's house. Later, his father took him and his two younger brothers to the war front, where they viewed the transportation of troops and supplies, the conveyance of prisoners far inland, the battlefield of Sedan, and the bombardment of Strassburg.

The American boy was Harrington Emerson, later to become one of the foremost efficiency experts and industrial engineers of the world. Mr. Emerson has often said that the precision and despatch with which the various problems of the German army at that troubled time were met and solved before his very face and eyes so deeply impressed his mind with the importance of efficiency as to stake out, vaguely at first, but in a clear-limned way as maturity widened his vision, the compass and dominating purpose of his life-work—to bring industrial order out of industrial chaos, to stop waste and increase net productivity, and to set up scientifically accurate standards of appraisal and measurement.

Mr. Emerson's early life and training fitted him admirably for the great work of industrial reform he was later to do with rare devotion and ability. He was born in 1853 in Trenton, New Jersey, the eldest son of Edwin Emerson, a university professor. At the age of nine he was taken to Europe, and for the next fourteen years he attended European schools, chiefly French, English, and German.

The transfer to Europe early made it necessary for him to meet, adjust himself to, and conquer, conditions for which no previous experience of his own or of his parents had equipped him. In the French schools he learned to think logically, and to combine initiative with order. In the English schools he learned the English love of games, manliness, and abhorrence of a lie and treachery. In the German schools he learned thoroughness, and was subjected to severe and salutary discipline.

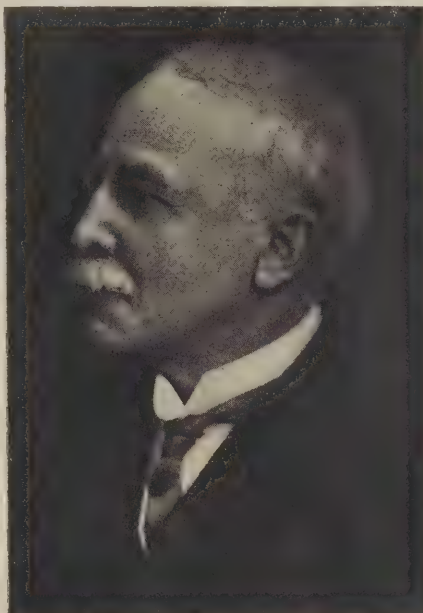
On his return to America, in 1876, Mr. Emerson was immedi-

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ately appointed to the professorship of modern languages and literature in the young State University of Nebraska. He was also for six years Registrar of the University and Secretary of the Faculty.

A difference of opinion having arisen between the younger professors and the old guard led by the Chancellor as to what a State University should be, the regents dismissed all concerned; and, much to his immediate regret, but greatly to his ultimate gain in every respect, Mr. Emerson found him-



Harrington Emerson, Esq.

Efficiency Engineer

self obliged to earn the support of himself and his family in the intensely competitive fields of real estate, loans, and insurance. Before he was forty he had twice made \$100,000 and had twice lost it, both times through the collapse of land values that resulted from the dull times between 1889 and 1896.

In 1886, Mr. Emerson definitely entered the service of the Chicago, Burlington & Quincy Railroad, with which he had been more or less affiliated for eight years. His duties, which were on the far frontier, consisted chiefly in making reports on coal lands, agricultural possibilities, irrigation proj-

ects, town sites, state and county taxes, and the like.

Ten years later, Mr. Emerson returned to England to sell a large gold placer mine. Owing to President Cleveland's Venezuelan message and the Boer War, he was unsuccessful; but he formed connections with an English syndicate, taking on the duty of examining American industrial enterprises of all kinds which were seeking English capital. Mr. Emerson examined more than one hundred enterprises of the most varied kinds, situated in Mexico, in the United States, in Canada, and in Alaska. Both the immense field open to American enterprise and the immense waste occurring were revealed to him.

From 1897 to 1900, Mr. Emerson was busy with Alaskan enterprises, and investigations, particularly as to the railroad possibilities and the coal resources. During one year of this time he was able, as factory manager, to demonstrate that current wastes could be eliminated in a manufacturing plant.

For two years Mr. Emerson was on the counseling staff of the late Charles M. Hays, who was then promoting the Grand Trunk Pacific Railroad; for one year on the staff of President Burt of the Union Pacific; and for three years on the staff of Vice-President Kendrick of the Atchison, Topeka & Santa Fe. He was able to advise on a large scale as to the theory that increasing wages and better conditions could be made to follow falling unit costs. This theory is similar to Henry Ford's theory—though not so bold or so rapid in operation—that increased wages can be made to reduce costs.

Since 1907, Mr. Emerson has been at the head of a New York company of efficiency engineers. This company, with agencies in Pittsburgh and Chicago, has given expert counsel to more than two hundred industrial firms, and has bettered the wage and work conditions of over 100,000 men. The firms served have been among the largest of their kind in the world. Mr. Emerson estimates industrial losses of the United States at about \$40,000,000 a day. The general theory that underlies the work of his company and of his associates is that the universe is a region of infinite resources, and that the human mind has infinite capacities wherewith to exploit these resources for the betterment of man.

*Who's
Who*

*Biographical
Sketches
of Men of
Affairs*

*An
Expert
in Industrial
Efficiency*

John T.
Kennedy,
LL.M.



IMPOSSIBLE" is not an excuse favored at law. Consequently, neither inconvenience nor difficulties nor obstacles will relieve a party from the legal obligation to do that which he has contracted to do. Present European conditions have caused the fulfilment of many contracts to be impossible; and litigation to fix the responsibility for the ensuing loss has engaged the attention of courts during recent months.

Impos-
sible Per-
formance

In general, performance must be impossible (a) by reason of "Some manifestation of nature to which man has not contributed and which he cannot overcome" (lightning, cold, a storm, etc.); (b) by reason of the ravages or restraints of war; or (c) by reason of some impediment arising by law; e. g., a contract respecting liquor made before enactment of a prohibition law.

A war, to be an excuse for non-performance, must be one in which this nation is involved. War conditions in Europe do not, of themselves, constitute an excuse. The same would be true of embargoes of foreign nations.

Contracts involving large amounts usually contain a clause limiting or otherwise modifying this legal liability to perform. An example of such a clause is one relieving the party promising from performance if prevented "by contingencies beyond said party's control, such as fires, strikes, accidents to works or stock, or changes in the tariff."

Quite recently, a New York court was called upon to decide whether this clause would excuse a chemical company from delivering chemicals which they could not obtain because of the blockade of Germany. Did the fact that the contract specified certain contingencies limit the scope of the general clause to the contingencies named? The court held that the rule limiting or restricting general expressions by particular descriptions or recitals following them did not exclude any other causes than those named. The rule does not mean exclusion, but limitation or restriction. In this case, it was ruled that inclusion of the European War in the contingencies contemplated by the general clause was a reasonable construction of the clause and, therefore, the chemical works need not perform (*Davies Company vs. Chemical Works*, 160 N. Y., Supp.).

The necessity for contemplating future contingencies in contracts finds no better illustration than in the cases growing out of the present European conflict. Concerns have avoided or sustained large losses, according to the careful or

careless wording of agreements. "Look before you leap" is especially significant in contract law.

LEGAL protection of the good-will of a business, from encroachment by ex-employees, is a fundamental right. This protection does not include the right to restrain the employee from working for others. Only when the contract so provides, and then only when the clause is not in illegal restraint of trade, can the employer prevent the employee from working for a rival firm.

Protec-
tion of
Good-will

The test for determining whether the contract clause illegally restrains trade is that of reasonability. If reasonable opportunity is afforded the employee to obtain other employment, and if the time within which he is restricted is not unduly long, all facts considered, the restrictive clause is valid.

Even if there be no agreement respecting his future activities, an employee has not the right to solicit and take away the customers of his old employer through utilizing the knowledge he gained concerning the employer's business. This is regarded as taking a property right of the employer—good-will. Recently the Supreme Court of New York (*Law Journal*, January 2, 1917) decided that the good-will of a practicing accountant was entitled to this protection. The remedy available is that of an injunction restraining the employee from soliciting the customers, patrons, or clients of his former employer.

ONE injustice of the old Income Tax Law was that an individual could not deduct losses from his income, unless such losses were sustained "in trade," or by reason of specified contingencies. Smith buys stocks B & C. He loses \$10,000 on the sale of B, and gains \$10,000 on the sale of C. By the law in effect before September 8th, he would be taxed on the \$10,000 gain, with no deduction for the \$10,000 loss, because this was not a loss sustained in a "business" or "trade."

Losses
and
the
Income
Tax

However, if these stocks were part of the same issue, then deductions were allowable, probably on the theory that they would be part of one account. In a letter of February 26, 1916, the Department ruled that if the purchases were made prior to March 1, 1913, and the sales some years later, then the profit on sale should be apportioned; the tax being payable only on the fractional amount which the time elapsed since March 1, 1913, bears to the entire period the stock was held. If the stock was purchased subsequent to March 1, 1913, the return is on the entire profit. Profit consists of the difference

between cost and selling price, not the increase in market price on stock not sold. On the return, the total profit secured on sales should be

given under gross Income. The new law permits deductions to be made for losses sustained. Section 5, paragraph 5, provides for the following deduction from the gross income of the individual:

"In transactions entered into for profit but not connected with his business or trade, the losses actually sustained therein during the year to an amount not exceeding the profits derived therefrom."

Hence, in addition to deductions for losses sustained in business or trade, individuals may now deduct actual losses sustained in transactions entered into for profit. This would apply to transactions in various stocks—not only those of the same issue. So, after stating the entire profit from sales under "gross income," the entire losses from sale should be given under "General Deductions."

This new section not only eliminates the injustice in the old law respecting dealings in stock by an individual, but also affords relief in other cases where losses not incurred in trade are sustained.

CREDIT extensions in recent years have increased the use of contracts of guaranty, wherein a third person undertakes to pay the creditor in case of default of the debtor. Probably there is no class of contracts respecting which more care is required. Likewise, there is always a strong temptation to the guarantor to seize upon the slightest pretext for breaking the contract. So I propose to suggest precautions, which may be taken by the business man extending credit upon the faith of a guarantor—to be assured of an effective contract at the time of extending the credit, and to be assured that the contract will remain effective. Failure of the creditor to follow these suggestions does not necessarily mean that the guarantor is discharged. Some of these steps are suggested upon the general principle that it is better to keep out of a lawsuit than it is to win one, and others are suggested because they are absolutely essential to the validity of the contract.

First, the contract must be in writing.

Second, if the contract is entered into after the credit is extended, there must be an independent consideration.

Third, no extension of time should be granted, or any material change made in the contract, without the written consent of the guarantor.

Fourth, upon the default in payment, the guarantor should be immediately notified.

Fifth, should he hold any other security for the debt, no matter when such security may have been acquired, the creditor should not give up the security without the written consent of the guarantor.

If the guaranty is to be of a continuing nature, i. e., to cover credit extended from time to time, the language should be clearly to this effect. For if there be any doubt as to the meaning of the words used, the courts tend to adopt the meaning favorable to the guarantor. Should the continuing guaranty name the creditor, it would seem that the guarantor need not be notified from time to time as to the state of the account between the creditor and debtor. Nevertheless, it is suggested that this be done.

Sometimes the continuing guaranty does not name a specific creditor, but merely states that the guarantor will pay any debts incurred by the debtor. Likewise, in other instances, there is neither a time limit nor an amount limit stated. Before extending credit under either of these classes of continuing guaranties, it is always advisable to communicate with the creditor and obtain his written consent to the advance.

HOUSEHOLD problems are not the smallest which have engaged the minds of men. Hence, it is not surprising that judges have experienced difficulties in determining the precise meaning of the words "household goods." This expression, used in wills, provokes disputes as to the articles it includes and those it excludes.

The term embraces furniture used in the home, but not furniture held for sale by the testator in his business. Books are not included. If a revolver is of the character used for home protection, it constitutes a part of the household goods. Firearms intended for hunting do not. Stuffed animals, pictures, statuary, and like ornaments, are household goods if they are not of such quantity as to be considered a collection. Seemingly, judges do not regard a wine cellar as a necessary adjunct to the house, since they rule that champagne and like beverages are not "household goods."

Executors, administrators, or others connected with an estate, will find the following definition, taken from the cases, a correct guide: Household goods consist of those articles used in the house which contribute to the comfort or convenience of the household, or the ornament of the house.

The prepared man never lacks a market.

Question and Answer Department IN my line of business many of the drugs and chemicals in stock have increased largely in value by reason of war conditions. Am I justified in stating these items in inventory at market value? If they are stated at cost, how will it affect recovery under insurance in case of fire loss?

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prising "all debt which by the terms of its creation does not mature until more than one year after date of creation."

A Assets held for realization, under which inventory is classed, are valued in conservative accounting practice at cost or market, whichever is lower. The reason for this is to avoid the statement of a profit into which enters an element due to the fluctuation of market values. The profit becomes real in the event of realization, and the organization, therefore, merely makes a choice between recording the profit when it occurs and anticipating that profit by a previous scaling up of the inventory items.

You may question the rule, in view of the fact that inventory items are written down to market, in case market is lower, and contend that a rule is not a good one that does not work both ways. The answer is, that we are interpreting profit on the most conservative basis with a view of preventing statements that might not work out in the matter of realization, and that might cause financial embarrassment, or even disaster.

In regard to insurance, there is no reason why your concern should not, in conjunction with its inventory, appraise the items at market value and retain the appraisal in its files. As a matter of fact, there are several appraisal companies that make a business of listing and valuing asset items of all classes for the purpose of affording a basis for insurance adjustments. Losses are adjusted on the basis of values, and book figures are only one of several things taken into consideration—the object in all cases being to arrive at a fair basis of settlement. In any event, it would not be practicable to follow inventory values, especially those subject to great variation because of extraordinary conditions, by the adjustment in book values—fires rarely occur exactly at inventory dates.

Q What is meant by the term "funded debt"?

A Originally, the term "funded debt" was applied to debts, "the service of which was secured by a special fund." (Webster.) It was applied particularly to the debts of governments payable from funds raised by taxation. The use of the term has broadened, until at present it is applied to any debt that is permanent, or that runs for a long period of time bearing regular interest, particularly one made up by consolidation of smaller debts. It has also been defined as com-

How does the ruling-off of a Ledger account with the inserting upon one side of sufficient amount to balance, and the bringing down of that same amount to the other side of the account, reconcile with the accounting theory that all entries in a Ledger account shall first appear in some book of original entry?

The amount of the balance of an account does not constitute a true financial entry in the account, but is in the nature of a memorandum. However, if one cared to be very technical, the procedure could be considered as being the posting of an entry transferring the balance from the old account to a new account, which, instead of being opened at a different place in the Ledger, is simply continued below the old account.

Regarding the transposition of figures; An amount divisible by nine usually indicates a transposition, but is there any method by which to calculate from the amount of the discrepancy, the figures wherein the error occurs?

An amount divisible by nine may indicate, apart from other errors, either a transposition of figures or a "slide," i. e., a shifting from one place to another, as 30—3. There are methods of detecting transpositions, but the time involved in working them out makes them frequently impracticable for general use, except perhaps with a discrepancy of two or possibly three figures. As a matter of fact, direct transpositions of four or more figures are comparatively rare; it is much more usual to transpose figures in some part of a group, as the first two or the last two figures. In transpositions of two figures, the quotient obtained by dividing the discrepancy by nine equals the difference between the first and second figures of each group in the series. For example, if the discrepancy is 27, dividing by 9 gives a quotient of 3. The discrepancy may have been caused by the transposition of 41 and 14, 52 and 25, 63 and 36, 74 and 47, 85 and 58, 96 and 69, or it may have been caused by a slide, as 30 to 3. It is obvious that, taking 41 as an illustration, 3 is the difference between the first figure 4, and the second figure, 1. Each group is composed in the same way up to 96, which is the highest group of two figures having a difference of 3 between the first and second figure. Having found the list of numbers from the given quotient, the next step would be to see whether an error corresponding to any such amounts exists in the work.

Question and Answer Department Please advise if the expression "provided that" may not properly be used in some cases instead of "provided." I find the former ex-

pression in law books, also in certain grammars to introduce clauses of condition. I would also like to know whether "first-rate" may be used as an adverb, or whether it should be used exclusively as an adjective.

A It is true that there is some authority for the use of "provided that" in the sense of "provided," but according to the opinions of authorities on English, the best particle to use is "provided." You must remember in this connection that usage is constantly shifting, and that, while it is dangerous to be unduly dogmatic with respect to the status of certain words and phrases in English, it is often possible to interpret this shifting usage and to arrive at a more or less positive conclusion.

As to the word "first-rate," again it is a question of elegance of usage, which seems to decree that it is best used as an adjective exclusively. I grant that in ordinary conversation and colloquial writing it is often used as an adverb.

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Please comment upon the use of the word "per" in the following sentences: "The average time lost is 6.5 days per 100 members."

"The average amount is \$24.30 per case."

A Respecting the use of the word "per," there is an unnecessary tendency in business usage to use "per" excessively. Whenever "per" means "by," "for," or "a," it is my opinion, based on observation and considerable experience in teaching business men, that some one of these three words should be preferred. In the sentences that you quote, I admit that the use of "per" is permissible. Still, I see no reason why you cannot say "for each 100 members," and "a case."

WE are quite willing, in the Question and Answer Department, to give our opinion on any question that arises in matters of accounting, business organization, and related subjects. We are not willing, however, to discuss, or at least to criticize adversely the opinions of various authors who have written works on these subjects.

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30 Church Street

New York City

Editorial

By
Homer S.
Pace,
C.P.A.



Time

TIME, my friend, is a peculiar and elusive thing. If you ponder long enough you will conclude that Time is merely a system by which we establish the relation of events to each other. The most we can do

is to mark off, between two established points, a period that we can name and compare. Thus, we refer to the hour, the day, the year, and the century. Each, when it describes a particular period, has a beginning and an end, and each is a part of that infinite progression which has no beginning and no end, and which never can be measured or compared.

Time, when we consider it in relation to our personal affairs, has a most compelling interest, no matter whether we look backward or face forward. No task, no pleasure, no accomplishment can be dissociated from time, for Time is an element of them all. The theoretical point in the progression that we call the present has no time; it merely divides that which has been, stretching away into the unrecorded past, from that which is to be; the unrealized hopes and plans for to-morrow which blend with the mists of the future.

Theoretical and a bit heavy, you say. True, but you will not go far in your workaday affairs without need for clear thinking in respect to Time. You cross-cut the "stream of time" with your little life span, threescore and ten or whatever it may be, and immediately you must begin to divide the limited amount at your disposal into portions for the accomplishment or enjoyment of particular things. So many years are apportioned for study, and, later, for each day you apportion so many hours for business duties, so many hours for supplementary study, so many hours for recreation, and so many hours for sleep. For each period of time you expect a result, and you measure your success largely by the relation between the result and the time devoted to securing it.

Lack of appreciation of the simple truths in respect to Time has caused many a grievous error. Do you know a man who is planning to grind until he is fifty and enjoying himself after-

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ward? He is one of a million who are similarly deluded. Inform him that Time is an element in all enjoyments; there is a limit on the amount

of food, the number of views, the pleasurable companionship, that one can crowd into a day. Your friend should enjoy himself as he goes along—he is miscalculating the time element.

Do you know a young man who is deterred from a course of study extending over two or three years, or some other worthy project, because of the time involved? Does the contemplation of so large a section of the future worry him? Advise him that the time will elapse regardless of his action—it is a mere matter of what he will possess two or three years hence.

Do you know the man who would sow and harvest in the same breath, the man who attempts to crowd two hours into one, the man who

habitually miscalculates the progression of things and his own relation thereto? Tell each of them that Time is an element that will persistently assert itself in his affairs, an element to which he must adjust his tasks and enjoyments.

At appropriate seasons, therefore, reflect upon Time. When you celebrate the anniversary of your birthday, when you wish your friend a Happy New Year, when you turn twenty, or thirty, or forty, or any other milestone in your career, take thought of your subdivision of the Great Progression, and

the use you are making of it. Reflect in no melancholy way over the events of yesterday, which are as dead as the Pharaohs, but plan with optimistic forward-looking for the work of to-morrow.

OBSERVATION is one of the best methods of acquiring information, and information, we should remember, is the material which, after transmutation and assimilation, becomes knowledge. The observing man gathers from the statements, letters, and other documents that are common incidents to business life, a large amount of information that applies immediately to his own affairs, and still another large amount that he assimilates and stores for future use. The observing man, too, sees the merits and the faults in the office arrangements; he notes whether the work is routed properly, whether the su-

Observation

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the Purpose, Spirit, and Needs
of Modern Business*

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pervision is effective, whether the chairs are of a proper height, and a thousand other details that pass by the man who sees generally but not

specifically. In the factory, he observes the illogical arrangement of machinery, the useless traveling of materials, the unproductive motions, and the waste of faulty planning and articulation of work.

Aside from his business, the observing man acquires valuable information in respect to the social conditions of his own community, to the work of the schools, to the regulation of traffic, to the cleaning of streets, and to many other things in which as a citizen he should be vitally interested. The observing man, when he travels, accumulates more information in a week than the non-observing man does in six months—he realizes heavily upon his travel investment of time and money. The theories and principles he has acquired by patient study take on new life and meaning as he observes and reconciles with them the incidents of his daily life.

Observation, like many other abilities, is very largely a product of consistent training and development. Training in observation comes from a conscious and persistent determination to scrutinize things minutely. The unfamiliar word that you read or hear must be thoroughly mastered in respect to pronunciation, spelling, and meaning; the name of the strange flower or plant or tree which you see must be learned; the names of the principal streets and points of interest in the cities which you visit must be studied and kept in mind. In short, keen scrutiny and close observation must be persevered in until they become a habit, after which the accumulation of valuable things is unconsciously carried out as a pleasurable incident to living.

**Voca-
tional
Frank-
ness** **F**RANKNESS is a quality that should be developed between employer and employee. Too often we find that the employer is too busy or indifferent to take the time necessary to become really acquainted with his employees, even with those closely associated with him. The employee, on the other hand, often feels that he is not free to discuss his own development and advancement openly and frankly with his chief. These things are all wrong. There is no reason in the world why an employer and his employee should not discuss periodically, say once a year, their business relations.

A case in point comes to mind in which an employee who was an office-manager for a small but prosperous concern had attained a salary of \$3,000 a year. This salary was somewhat in excess of the amount paid to the man who

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preceded him, and the \$3,000 salary was reached only after several years' service, with conservative salary advances from time to time. The

office-manager had given the matter of his own future with the firm a great deal of study, and, without consulting his employer, had finally concluded that there was no hope of advancement. He also felt that his abilities justified him in hoping for a salary of \$3,600 a year, or possibly more.

With these conclusions in mind, he consulted a vocational agency. He stated his case as he saw it, and wanted to make application for another position. The manager of the vocational agency, in discussing the matter with him, developed the fact that he had not had a frank discussion of the whole matter with his employer, and strongly advised the young man to have such an interview before he attempted to secure another position. It was developed during the interview that the employer had always been fair, that the employment was satisfactory, and that the only thing in the way of continued employment was the supposed bar to further advancement. Not without some protest, the young man finally consented to have the interview with his employer. Much to his surprise and gratification, the employer, after considering the matter fully, thought that the young man's ability and special worth to the concern warranted an immediate increase of salary to \$3,600 a year. There was thus avoided a vocational change that would have brought to the young man the uncertainty of a new position, and to the employer the unpleasant necessity of breaking in a new man in an important position.

The foregoing is an actual case, and one of at least fifty of the same character that can be cited. From these instances we are forced to the conclusion that thousands of employees, occupying more or less responsible positions, do not meet their employers on the basis of a free and frank discussion of their relative interests. It may be that it is impracticable to approach some employers in this way, but it is undoubtedly true that the great majority of employers would prefer such a discussion to the quasi disloyalty that takes the form of the consideration, on the part of the employee, of other positions without stating to the employer frankly the basis of dissatisfaction. We suggest, therefore, whether you are an employer or employee, that you strive for frankness in vocational relations—a periodical time for getting together when salaries and future prospects can be discussed in a cordial and beneficial manner.

Factory State-ments

Elmer O. Stevens,
C.P.A.



THE proposition selected for discussion this month, while comparatively simple, raises many points of interest to the business manager and the student of accounting. The proposition, originally given in a C.P.A. examination held in a Western state, is as follows:

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Proposition

On December 31, 1914, the records of a typewriter manufacturing company show the following balances:

Raw material on hand January 1, 1914..	\$ 13,000.00
Finished typewriters on hand January 1, 1914—1,600 at \$30.00.....	48,000.00
Factory labor (direct charge to manufacturing)	80,000.00
Other manufacturing expenses	20,500.00
Cost of raw material bought	60,000.00
Agents' commission—selling	80,000.00
Rent, salaries, stationery, etc.....	50,000.00
Salesmen's expenses (traveling), salesmen's salaries, discounts allowed others, allowances on sales	35,000.00
Bad debts charged off	5,000.00
Depreciation in machinery and buildings	2,500.00
Personal injuries to employees paid by the Company	3,000.00
Loss by fire—not covered by insurance	2,000.00
The sales for the year were 6,000 typewriters, at \$90.00 each	540,000.00
The inventory of finished typewriters on hand December 31, 1914, was 785—not including any that were on hand January 1, 1914.	
Raw material on hand December 31, 1914	5,000.00

Prepare from the above necessary statements showing:

- Number of machines manufactured during year.
- The cost per machine.
- The gross manufacturing profits on sales.
- The net profit on operations.
- The net amount available for dividends, or other disposition.

Comments

TWO statements—Profit and Loss Statement and Manufacturing Statement—are required to furnish the desired information.

The number of machines manufactured during the year may be most conveniently shown in the first division of the Profit and Loss Statement. Since 6,000 typewriters were sold during the year, and 785 finished machines were on hand at the close of the year, it is evident that 6,785 machines were handled during the year. The inventory of finished typewriters on hand at the beginning of the year was 1,600, and the remainder, 5,185, is the number of machines manufactured during the year.

The cost of manufacturing the 5,185 machines, \$168,500.00, is obtained by bringing together in the Manufacturing Statement all of the factory costs, consisting of raw material used, \$68,000.00; factory labor, \$80,000.00; and manufacturing ex-

penses, \$20,500.00. From these figures the cost per machine, amounting to \$32.50, is determined. The inventory of 785 finished typewriters

on hand on December 31st does not include any of the 1,600 machines on hand January 1st; therefore, they should be valued at the average cost of machines manufactured, that is, at the rate of \$32.50 each.

The gross manufacturing profit on sales evidently means the gross profit of \$349,012.50 shown in the Profit and Loss Statement.

Cash discounts do not belong in Selling Expense, but should be included in General Expense, or, if the expense accounts are analyzed to a finer degree, cash discounts should be included in Capital Expense. Likewise, Allowances on Sales, instead of being a Selling Expense, should be deducted from the amount of sales. However, in the problem stated, these two items are included in an account with salesmen's expenses and salaries. The latter evidently belong in Selling Expense, and constitute the major portion of the account. Since we cannot separate these elements, we have included all in Selling Expense.

There may be some question as to the proper location on the Profit and Loss Statement of the expense item for "Depreciation on Machinery and Buildings, \$2,500." Some accountants classify this as a direct manufacturing expense, and therefore include it in the Manufacturing Statement. However, the tendency of Accountancy practice is to include in direct manufacturing expense only those elements that fluctuate directly, as the quality and the quantity of the product fluctuate.

Usually, machinery depreciation bears little direct relation to quantity of output, and ordinarily depreciates as much from idleness as from operation. Moreover, it is usually advisable in case of a disputed point to follow that practice which is the more conservative. If the item of depreciation is included in the Manufacturing Statement, a portion of it will be included in the Inventory value of the typewriters on hand December 31, 1914. This increase in the value of the Inventory will result in an increased showing of profit. Conservative practice would therefore indicate that this item should not be included in the Manufacturing Statement.

The fire loss is not an element of operating expense, and should not in any wise affect the net results of operation for the year. It should be deducted from the net profit from operation, in order to arrive at the amount of such profit available for dividends or for other disposition.

TYPEWRITER MANUFACTURING COMPANY

Profit and Loss Statement

For the Year Ended December 31, 1914.

Solution

(Continued)

Typewriters sold	6,000 at \$90.00		\$540,000.00
Cost of typewriters sold:			
Finished typewriters on hand January 1, 1914.....	1,600 at 30.00	\$48,000.00	
Add:			
Cost of machines manufactured during year (per Manu- facturing Statement)	5,185 at 32.50	168,500.00	
	6,785	\$216,500.00	
Deduct:			
Finished typewriters on hand December 31, 1914	785 at 32.50	25,512.50	
Cost of typewriters sold	6,000		190,987.50
	Gross Profit.....		\$349,012.50

EXPENSE

Selling Expense:

Agents commissions—selling	\$80,000.00	
Salesmen's expense (traveling) salesmen's salaries, discounts al- lowed others, allowances on sales	35,000.00	
		\$115,000.00

General Expense:

Rent, salaries, stationery, etc.	50,000.00	
Bad debts charged off	5,000.00	
Personal injuries to employees	3,000.00	
Depreciation—machinery and buildings	2,500.00	
		60,500.00

Total Expense

	175,500.00
--	------------

Profit on operation before deducting fire loss	\$173,512.50
Deduct:	
Loss by fire not covered by insurance	2,000.00
Net profit available for dividends or other disposition	\$171,512.50

TYPEWRITER MANUFACTURING COMPANY

Manufacturing Statement

For the Year Ended December 31, 1914.

Raw material on hand January 1, 1914	\$13,000.00	
Cost of raw material bought	60,000.00	
		\$73,000.00
Deduct, raw material on hand December 31, 1914.....	5,000.00	
Cost of raw material used		\$68,000.00
Factory labor (direct charge to manufacturing)		80,000.00
Other manufacturing expenses		20,500.00
Cost of manufacturing 5,185 typewriters (Average cost per machine, \$32.50.)		\$168,500.00

Horatio
N. Drury,
B.A.



Use of
"Should"
and
"Would"

IN the January issue of The Pace Student, I considered the proper use of *shall* and *will* in some detail. It is therefore appropriate that we now pay attention to the proper use of *should* and *would*.

Should and *would* are the past-tense forms of *shall* and *will*, respectively, although they are now used chiefly to express contingency. *Should* and *would* follow, in the main, the rules that determine the correct use of *shall* and *will*.

Should and *would*, however, have certain special uses which may be noted at this point. *Would* often expresses habitual action; as, "In the morning the boys *would* go to the lake and fish." *Would* in this sentence means that the boys were in the habit of going to the lake and fishing. *Would* often expresses a wish; as, "*Would* that I had taken advantage of my early educational opportunities." The meaning of *would* in this sentence is that I wish now that I had taken advantage of my early educational opportunities. *Should* often has the special meaning of propriety or obligation. *Should* differs from *ought* in that *should* is now employed to express expediency, while *ought* is restricted to the expression of moral or legal requirements, or logical necessity. If we say, "Every one *should* be true to the dictates of his conscience," *should* means that it is expedient and proper for every one to do what his conscience bids.

Since *should* and *would* after past tenses correspond respectively to *shall* and *will* after present tenses, it is of advantage to review at this point the main rules governing the use of both *shall* and *will* and, consequently, of *should* and *would*.

Just as *shall* and *will* always express either futurity or volition, so *should* and *would* usually express either futurity or volition, except in the case of the special uses already discussed. In determining whether *should* or *would* is proper, one should first of all settle the thought to be expressed—whether futurity or volition.

We have found that in independent sentences *shall* should be used after *I* and *we*, and *will* after all other subjects, to express futurity; and *will* after *I* and *we*, and *shall* after all other subjects, to express volition. Just so in independent

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sentences, *should* should be used after *I* and *we*, and *would* after all other subjects, to express futurity; and *would* after *I* and *we*, and *should* after all other subjects, to express volition.

In dependent clauses with subjects different from the subjects of the main verbs, we have found that we should use *shall* after *I* and *we*, and *will* after all other subjects, to express futurity; and *will* after *I* and *we*, and *shall* after all other subjects, to express volition. Just so in dependent clauses, with subjects different from the subjects of the main verbs, we should use *should* after *I* and *we*, and *would* after all other subjects, to express futurity; and *would* after *I* and *we*, and *should* after all other subjects, to express volition.

In all dependent clauses, except those introduced by *that*, with subjects of the main verbs, we have found that we should use *shall* to express futurity, and *will* to express volition, no matter what the subject may be. Just so in dependent clauses of this character, we should use *should* to express futurity, and *would* to express volition, no matter what the subject may be.

We have found that in questions we should always use *shall* after *I* and *we*, and either *will* or *shall* after all other subjects, the auxiliary selected being the same as the auxiliary expected in the answer. Just so in questions, we should always use *should* after *I* and *we*, and *should* or *would* in all other questions; the choice depending upon the auxiliary that is expected in the answer.

The following sentences illustrate the correct choice of *should* and *would*, in accordance with the foregoing rules of usage:

If you were to ask me to become a member of the party, I *should* accept the invitation.

If I were to give you the book, I do not think you *would* accept it.

If Henry were to call, I suppose that Alice *would* be glad to see him.

I told your father that I *would* consent to your entering our employ.

I *would* perform the task if I had the ability.

You *would* write the letter for me if you knew the address.

Should you accept the offer if it were tendered you?

Would you accept the offer if it were tendered you? **Example**

Should you like to look at the pictures?

Would they take pleasure in the trip?

Would you condone the offense?

If we were to accept your plan, we *should* regret our choice.

I *should* be glad to examine the manuscript.

We *should* be happy to meet your parents.

I *should* be very much obliged to you for this courtesy.

We feel sure that we *should* like the community.

If I were to jump off the car, I *should* run the risk of physical injury.

If we did not work very hard, we *should* not succeed.

If we had not worked very hard, we *should* not have succeeded.

He said that he *should* be compelled to resign the position.

I was sure that I *should* be able to meet the note.

The president thought that he *should* be compelled to go to Boston for a week's stay.

My friends said that they *should* like to accompany me on my trip.

I feared that I *should* be indisposed.

Should I become tired if I were to walk so far?

Did you say that I *should* be permitted to attend the conference?

Do you think that I *should* like him?

Should I be sorry for my action if I were to buy the stock?

I *should* like to be told who is responsible for the mistake.

We *should* prefer to play tennis upon the club courts.

You *would* doubtless prefer to take the trip by automobile.

I *should* be sorry to lose this remembrance.

Were I to go, I *should* be missed at the office.

You must have realized that we *should* be ruined.

I *should* think you *would* have foreseen the outcome.

William said he *would* not go to college.

Though I *should* regret my action in later years, yet *would* I carry out my plan.

I asked him whether he *would* extend the offer two days longer.

The manager assured me that the mistake *would* not happen again.

If it *should* snow, we *would* not go on the journey.

A reward was offered to the man who *should* first invent a new mechanical game.

If I knew where Mr. Hunter is, I would summon him.

We should not have been discharged if the business had been prosperous.

The employees would have all been paid if the treasurer had not been summoned out of town.

What should we accomplish without cooperation?

The instructor determined that Smith should do the problem after school, but Smith declared that he would not do the work.

Our host was afraid that we should miss the train.

The most common errors in the use of *should* and *would* consist in the use of *would* for *should* in phrases like the following:

(Incorrect) I (or we) would be glad, pleased, happy, to see you.

(Correct) I (or we) should be glad, pleased, happy, to see you.

(Incorrect) I (or we) would appreciate an early reply.

(Correct) I (or we) should appreciate an early reply.

This confusion is due in large measure to the thought of *should* as expressing propriety or obligation. It must be remembered that the use of *should* in the sense of propriety or obligation is a special use, and that this is not the use of *should* in sentences like the foregoing. *Should* in these sentences is merely an auxiliary, and is the softened equivalent of the more positive *shall*.

It would seem, would appear, and similar expressions, are correct word-combinations to express a softened contingency or doubt of any kind.

It is clear from what precedes that the incorrect use of *should* and *would* is largely a matter of carelessness, and that, once the principles underlying their correct use are mastered, it will be relatively easy to use these auxiliaries with due regard to the canons of approved usage.

IN a recent issue of "Greater New York," the official publication of the Merchants' Association of New York, there appears a very significant and timely article entitled "Some Pointers for Exporters to South America," by W. Henry Robertson, United States Consul General at Buenos Aires. Part of the article consists of a translation from "La Razon," of Buenos Aires, which in September published an article under the heading "Commercial Relations with the United States." A resume of Mr. Robertson's article, together

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with a few of the more important excerpts, follows:

After saying that, in view of the European war and the consequent disturbance of the trade relations between Europe and South America, and particularly Argentina, it was natural that the currents of trade should be diverted to the United States, the writer of "La Razon," as quoted by Mr. Robertson, reaches the disquieting conclusion that the present trade relations with the United States are most unsatisfactory because of a lack of confidence in our ways of doing business.

"What is it," says the writer of "La Razon," "that causes this situation, notwithstanding the desire that has been proclaimed on both sides of creating intimate, frequent, and profitable business relations?" In our opinion, the cause is a single one: In the United States they do not know us, and perhaps it might be said that they insist on not knowing us.

"The differences of our industry, of our methods of commerce, and of our work—based on credit, on the solid foundation of correct dealing, of probity, and of good faith—have not been understood in the markets of the United States, and for that reason illusions have been great and frequent, and lack of interest is already evidenced in all branches of commercial activities."

"La Razon" then makes the point that, if American manufacturers and merchants are to hope for a continuation and an expansion of their trade relations with Argentina, they must begin at once to understand the Argentine point of view and to spare no effort to engender confidence in respect to everything they say and do.

Mr. Robertson, after giving the above excerpts space in his letter, lays great stress upon three things—the fact that the Argentine merchant is a stickler for having his orders carried out with great exactitude, that he is trustful from habit, and that he is used to long-time credits.

Apropos of the matter of credits, Mr. Robertson says: "Our merchants too often think that credits are longer here (in Argentina) than elsewhere, because people cannot pay so soon. This is a serious error. Credits have been long

in this Republic from the very beginning of business, because it is primarily an agricultural and pastoral country in which the vast majority of payments depend upon the condition of the crops and the cattle industry. If one crop is bad, six to twelve months' credit may be necessary; while, if there are two successive crop failures, a credit of two years may be needed."

Mr. Robertson closes his sensible communication with a plea for "the necessity of studying the character, the sensibilities, the point of view, and the good qualities" of the foreigners with whom American manufacturers and merchants hope to do business of a permanently profitable character.

JOHN H. CRIPPEN, Pace Institute of Accountancy, has severed his connection with Armour & Company to accept a position in the office of the Treasurer of the General Electric Company.

CLIFFORD K. CUEMAN, Newark School of Accountancy, has severed his connection with the New York, Ontario & Western Railway Company to enter Accountancy practice on the staff of Whittlesey, Myer & Wythes, New York.

WARREN S. STUTTS, Pace Institute of Accountancy, Extension Division, has joined the staff of Arthur Young & Company, Accountants, New York.

WALTER H. PRICE, who was formerly on the staff of the Jesse E. Cole Company, Des Moines, Iowa, has accepted, through the Pace Agency for Placements, Inc., a position on the staff of R. J. Beaman, C.P.A., of Cincinnati, Ohio.

R. HARRISON MORGAN, Pace Institute of Accountancy (Boston), has accepted, through the Pace Agency for Placements, Inc., the position of office manager for the Locomotive Superheater Company. Mr. Morgan recently completed the installation of the cost accounting system for the Standard Furniture Company at Herkimer, N. Y.

RALPH B. WAGNER, Pace Institute of Accountancy, has accepted a position as junior accountant on the staff of S. H. Wolfe, Insurance Accountant. Mr. Wagner was formerly employed in the Accounting Department of the Adams Express Company.

*Harrington
Emerson,
Esq.*
(Continued)

Not only has Mr. Emerson himself achieved exceptional success as a result of a thorough education of the most cosmopolitan kind, but he has seen the fruits of study and self-development in the careers of hundreds of our best-known industrial and financial leaders, many of whom he knows intimately. It is but natural, therefore, that he should proclaim himself without equivocation to be a supporter of that kind of education which will train a young man to see for himself, think for himself, and do for himself. The study of Accountancy and Business Administration, Mr. Emerson believes, does these very things, and equips one to develop a market value in the world of Modern Business. The "Emerson Course in Personal Efficiency," which Mr. Emerson wrote and transferred to one of the large publishing houses, is a notable expression of the author's novel but practical views on self-development.

A few minutes' talk with Mr. Emerson, whose interest in young men who wish to attain success in Business is always sympathetic and helpful, is likely to contain more real sense and inspiration than is found in dozens of theoretical books; and one reason why this is so, is that in his life the high visions of early manhood have not been forced to give way to the demands of a so-called practical age.

*Psycho-
pathic
Clinic*

A THE following interesting article appeared in a recent issue of The Rockefeller Foundation:

"By vote of the Trustees, May 24, 1916, the Rockefeller Foundation appropriated the sum of \$10,000 to the National Committee for Mental Hygiene for the maintenance of a Psychopathic Clinic at Sing Sing Prison, Ossining, N. Y.

"The establishment of a Psychopathic Clinic at Sing Sing Prison marks an important advance in the scientific study of criminology. It has long been apparent that problems of prison reform, and more particularly the problems of reconstruction of the individual prisoner, were strongly influenced by certain mental factors. The first step in clearing these quite different issues was the detection of the feeble-minded among prisoners and delinquents. This proved, however, to be only the starting point for study of disorders of conduct and, for several years, there has been a deep

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conviction among specialists in mental medicine that light could be thrown upon more obscure problems if a psychopathic clinic was set up within the walls of a prison.

"Dr. Bernard Glueck, who has been in charge of a department of a government hospital for the insane in Washington, D. C., has been appointed psychiatrist in charge of the Psychopathic Clinic. He has made a special study of the mental factors in crime and delinquency and is the author of a number of books and other contributions on this subject. He will devote his whole time to the work and will be supplied with assistants so that the work will be undertaken under the best possible conditions. The need for such assistants at Sing Sing is shown by the fact that, during a period of three years, one in forty-five of the prison population was actually transferred to the Dannemora State Hospital as an insane person. The admission rate to all other hospitals for the insane among the adult population of the entire State is only one in 320. When the Psychopathic Clinic is in operation, each new prisoner will be given a careful mental examination and, at all

times, the clinic will be at the service of the prison in dealing with mental factors requiring attention. The work will be under the immediate supervision of an Advisory Board of the National Committee for Mental Hygiene.

"The Establishment of the Psychopathic Clinic is the first step in the organization of a comprehensive medical service, the details of which have been worked out by the Committee on Social Hygiene of the National Committee on Prisons. This medical service will insure the careful examination and treatment of every prisoner and it is hoped that Sing Sing may eventually constitute the State reception prison through which all admissions will be passed. In this way it would be possible to correct many correctible defects and to improve greatly the mental and physical standard among prisoners, at the same time supplying the other prisons with a stream of sane, sound men, in excellent condition or with their specific defects accurately known.

"Most of the funds for the medical organization have been contributed by individuals, and, in addition, it is hoped to secure the sympathetic coöperation of the United States Public Health Service, which is deeply interested in the experiment as representing a new and promising field of hygiene."

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A NEW conception of the co-operative tendency which is manifesting itself in every branch of commercial activity was set forth recently by F. C. Schwedtmann, of the National City Bank, in an address before Group VI of the New York State Bankers' Association at the Hotel Martinique.

The banker took up the subjects of cooperation between banks and their employees, banks and other banks, and banks and the Government.

He pointed out that the heart element was a large part of the success of any steps taken by commercial houses for increasing the efficiency of their employees. Citing the Ford company's earnings of \$56,000,000 last year, he said such success was possible only because the workers were inspired to a love for their work.

Mr. Schwedtmann then told of the measures taken by the National City Bank to provide itself with faithful, intelligent, and interested employees. He gave the credit for the system now in force to Frank A. Vanderlip, President of the Bank. There are educational classes for all employees, and college men are trained especially for the foreign service.

He said the bank now contemplated establishing a variation of the old apprentice-shop system. Boys of sixteen or seventeen would be taken in as apprentices, trained morally, mentally, and physically, lodged in a club-house, and passed through the several departments of the bank before being employed as junior clerks.

Although the advantage to the employee was great, the speaker said, the advantage to the bank was very much greater. The plea was frankly to the enlightened self-interest of business men and not to their charitable impulses.

FROM time to time we are able to announce additions to the not very extensive list of publications on the subject of Municipal Accounting. A series of pamphlets dealing with the new accounting system installed January 1, 1916, by the City and County of Denver has been prepared by Thomas R. Lill, Pace Institute, Extension Division, for the Colorado Taxpayers' Protective League.

It is interesting to note that "the new system of accounts was recommended for adoption to the Auditor and City Council for the reason that the members of the Taxpayers' League believe that

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efficiency and economy in government cannot be secured without current information regularly prepared and made available to officials, employees, and the public." Under the old accounting system, expenses incurred were not recorded as cost of operation until the actual cash disbursement was made. Believing that "one of the fundamental principles of correct accounting is that the accounting must be upon an accrued basis," the new system provides for including revenues in the accounts when due, and expenditures when incurred, regardless of the date of collection or payment.

The financial reports prepared monthly under the new system are the Operating Statement (income statement), the General Balance Sheet, the Cash Statement, and the Fund Statement. In municipalities the Fund Statement is necessary to show how the actual revenues and expenditures for a certain period compare with the advance estimates made by the City Officials.

It is provided in the administration of the system of accounts for the City and County of Denver that certain specified definitions of terms shall govern. For instance, the definition given for the term Receipts is, "All cash coming into the possession of a city in a stated period irrespective of the source." Following the list and definitions of accounting terms is the detailed list or System of Accounts.

A "Manual of Accounting and Business Procedure for the Auditor's Office" sets forth in detail the methods and forms suggested for the use of the Auditor in developing the information required by the Uniform System of Accounts. Among the forms illustrated are a Register of Cash Receipts, Purchase Order, Invoice, Voucher Warrant and Register of Accounts Payable.

WILLIAM T. BENNETT, New York Institute of Accountancy, formerly in the Auditing Department of the Fox Film Corporation, has joined the staff of Touche, Niven & Co.

CARL ANDERSON, New York Institute of Accountancy, is holding the position of Assistant Auditor of

Compania De Minerales Y Metales, S.A., of Mexico, a holding company of several Mexican mining companies, operating and controlling extensive mining properties in Mexico.

ROBERT COCHNAR, Newark School of Accountancy, has severed his connection with the Platt & Washburn Refining Company to accept the post of Office Manager for Gillis & Geoghegan, Construction Engineers.

CARLOS F. NOYES, C.P.A., New York Institute of Accountancy, 1910, has been admitted as a partner in the firm of Lovejoy, Mather & Hough, Accountants, New York City. Mr. Noyes will be the resident partner in charge of the Cuban office, 21 Obispo Street, Havana, Cuba.

BEFORE Louis D. Brandeis was appointed an Associate Justice of the Supreme Court, he stated to the Interstate and Commerce Committee of the House that a standardized accounting system for corporations is necessary to make effective the work of a Federal trade commission.

In his judgment it will take from ten to twenty years to perfect such a system and have it put into operation by the 305,000 corporations, concerns, copartnerships and individuals doing interstate business in this country, and to be brought under the supervision of the trade commission.

Mr. Brandeis urged that the legislators should create the commission with the fullest powers, but leave to that body the duty of working out details.

"It will be an enormous labor to bring about the standardization of accounting," he said. "This standardization is essential, if the commission is to judge the work, methods, and competitive conditions under which business is carried on.

"The commission will have to decide on its standardization plan and secure its adoption first by the big corporations that their requirements may be understandable. It must then take up the smaller concerns in groups, either by industry or by territory, and so work out the introduction of its plan into all interstate commerce concerns. It is essential to the successful operation of the commission this work be done thoroughly and without confusion to business."

—Contributed by J. G. Baerncopf.

Stand-
ardized
Systems
for
Corpo-
rations

A "Time Budget" I'D like to do it, and I would if there are hundreds of things I could only get around to it. That a fellow has to pass up because he can't find time to do them." Tom and Walter were having a heart-to-heart evening talk in Walter's room. Tom was speaking. Walter had remarked that everybody should find time to do a little reading on cultural subjects.

"You're partly right, of course," conceded Walter, "but not entirely right. We waste a lot of time, all of us, unthinkingly. I'm not talking about the time we have to spend on our work, and should spend in sleep and desirable recreation, but about the time that we don't use profitably, because we're poor planners."

"What do you mean by 'poor planners'?" queried Tom. "Do you think a fellow ought to make a budget as to how he should use his time, the same as you say he should with his money?"

"Right the first time. Go to the head of the class," replied Walter, smilingly. "Minutes are like pennies and nickels; they slip away from you silently, and you never know where they have gone. Yet, there are only sixty minutes in an hour, and you can do a whole lot in an hour."

"What's the idea, then, so far as I'm concerned?" asked Tom. "I suppose you think I'm a time-waster."

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"Yes, I do think so," replied Walter, "though you're anything but lazy or slow. To-day, for example, you knew you had a lot of extra work to do, but instead of getting down to the office at eight o'clock and cleaning it up, you came down late, and you haven't been able to catch up all day. So you'll face the same situation to-morrow. Besides that, last week you went to the movies four evenings, and Saturday afternoon you say you're going to just lop around and take it easy."

"Well, what of it?" replied Tom, somewhat nettled. "You can't keep your nose on the grindstone every minute."

"No, of course not," replied Walter imperturbably. "That isn't the point. The point is that right along you fritter away a lot of time without getting either profit or pleasure to amount to anything out of it. You don't organize your time."

"What do you advise me to do, then?" asked Tom, partly convinced.

"My advice, which is based on my own experience, I think is sensible. Figure out a month in advance what you are going to do with your time—how much you're going to spend in eating, sleeping,

working, and taking recreation. Then take the rest and plan how you can use it to your greatest profit. If you will lay out your time definitely, and then stick to your schedule, you will be surprised at how many things that you ought to do, and want to do, you can do."

Walter has the right attitude on the very important matter of the profitable use of time. Despite the pressure of our daily tasks, we are a nation of time-servers and time-wasters. We stew and fret, and much of the time revolve in circles. The fundamental thing for any young man to realize, if he would really attain the fullest measure of success which his mental capabilities entitle him to reach, is to organize his time, the minutes and the hours of it, systematically and sensibly.

JAMES A. HENDERSON, Pace Institute of Accountancy, has recently entered the practice of Accountancy on the staff of Bodkin, Teschke & Company, New York.

EDWARD M. FRENCH, Accountancy Institute of Brooklyn, has resigned his position as bookkeeper with the Brooklyn Shield & Rubber Company to enter the practice of Accountancy on the staff of Price, Waterhouse & Company, New York.

Judging from the Past

Every year the demand for copies of The Annual Review of The Annalist, issued the first week in January, exceeds the supply and the edition is quickly exhausted.

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The Annalist

The Journal of Finance, Commerce, and Economics

TIMES SQUARE

NEW YORK

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BUSINESS, after all, is pretty much a matter of buying and selling. The turnover of the merchant is nothing more than the loading and the unloading of his shelves as the result of buying and selling merchandise. The more this process of loading and unloading can be speeded up, the greater the volume of business and, presumably, the greater the amount of profit. Loading the shelves, if capital and credit are available, is an easy matter—the major amount of the time and the thought of the merchant must be devoted to the unloading, or selling, operation.

In manufacturing, of course, the conditions are somewhat different. Materials and supplies must be bought and labor must be engaged to carry out the technical process by means of which a product is made available. No matter how intricate and tedious the manufacturing operation may be, however, a market must be found for the product. The manufacturer, therefore, like the merchant, does not travel the complete circuit of his business until selling transactions take place and the selling price is received.

Selling transactions, therefore, provide the necessary exit for the merchandise of the trader and for the product of the manufacturer. These transactions, in fact, are a vital part of the business circuit of incoming and outgoing values—a circuit through which flows, as it were, the very life stream of the business enterprise. A proper record of the trades that make up the marketing or selling function of the business is needed for intelligent management. The subject of sales records, therefore, is always of interest to the business man, and likewise to the accountant,

who functions as the business man's adviser.

A sale is defined as a contract whereby the absolute or general ownership of property is transferred from one person to another for a price or sum of money, or loosely, for any consideration. To illustrate, a merchant, by a contract known as a sale, turns over merchandise in exchange for money, or upon a promise of payment of an agreed price in money at a later date. Practically all sales are made in one way or the other—either for money or upon promise of a later money settlement.

Sales being made as a matter of contract, certain legal restrictions and complications are involved. With these we have nothing to do in this article, in which it is intended to deal merely with recording the financial effects of sales contracts that are presumably regular in their nature.

We require in any business concern a record of trades or sales for two reasons: First, a record is needed in order that a better control of the values involved in the selling transaction may be secured. Second, a record is needed to

provide statistical information that will aid in the direction of the selling effort.

The values involved in a sale consist of the goods turned over to the customer and of the cash or promise of later payment received in exchange for the goods. Let us consider the possible accounting records involved in these transactions.

In ordinary merchandising a complete record of the value of goods bought and sold is not kept. A record is made of the cost of goods bought; and a record is made, as sales occur, of the total selling price received, but the latter is not divided between cost of goods and gross profit. It therefore follows that a knowledge as to the

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*The
Record
of
Trades*

stock cannot be obtained without a physical inspection and inventory of the goods. Such an inventory is made periodically, usually once a year, when it is necessary to determine net profits. We have no quarrel with this procedure, because in the majority of trading concerns the cost and delay of making a complete record of stock would overbalance any benefits that would accrue from the complete record.

In some trading concerns, however, a complete stock record is made. Thus, in the jewelry business, the value of the items and the danger of theft justify the work of keeping a stock record. The physical inventory, when taken, is checked against the inventory as shown by the books. There are other instances in which a complete record of stock is kept, although they are the exception rather than the rule.

A more positive control, however, is found, even in the small business, of the cash or receivables secured in exchange for merchandise as the result of sales. Cash is immediately received in many types of sales, and no time need be taken to describe the mechanical cash register which is used in nearly all small retail establishments and in many departments of larger concerns to safeguard cash received from sales. A record is made of each sale, and the total for each day is proved against the actual cash.

Many devices, aside from the mechanical cash register, are adopted for safeguarding cash received from sales. Where the conditions will permit it, numbered receipts are used which are prepared in duplicate by means of carbons. The receipts may be bound in books or used in mechanical devices.

No matter what the method may be, cash received from all sources, including sales, should be deposited periodically, preferably each business day, in a bank. A bookkeeping record should be made recording the deposit and crediting the proper accounts, as provided in the scheme of bookkeeping.

The second contingency, the sale of goods upon credit, demands that a record should be made to establish beyond question the amount to be received later from the debtor. A record of this type is necessary in order to facilitate settlements, and particularly to provide a means by which collections may be followed up. Even the smallest business, if it departs in the slightest degree from the cash basis of transacting business, must provide a method of recording the items, including the dates and the prices of merchandise sold. The methods vary all the way from the duplicate sales slip, which the corner

grocer files for each customer in a wall-case provided for that purpose, to the duplicate, itemized, monthly statement which the department

store keeps as a Ledger record of the items sold to each customer. In each case the merchant must be able to show, in respect to each item sold on credit, the date, the character of the item, and the price charged.

Periodically, usually once a month, statements are rendered to customers of the balance due. If a detailed bill is rendered in respect to items as the sales are made, the monthly statement is usually a recapitulation which shows merely the total of the detailed bills that have been rendered. On the other hand, it is a common practice of department stores, in addition to rendering each customer a duplicate sales slip at the time of the purchase, to render monthly a complete itemized bill, an exact duplicate of which is kept as the Ledger account in the store.

So much may be said in a brief way as to the requirements in respect to the need of records to secure a control of the values involved in sales.

The second accounting need in respect to sales is for statistical information that will afford aid in promoting this important division of the business. The small business which does not maintain proper accounting records does not usually proceed beyond a record of cash received and of accounts receivable. The statistical record of sales, in fact, is secured almost exclusively by double-entry bookkeeping. The debits—cash or accounts receivable—that result from selling are offset by an equivalent credit made either to a merchandise account or, under better practice, to a sales account.

A statistical record is thus built up which may be classified in respect to different departments or classes of merchandise. Sales are recorded from day to day; and statements can be prepared in comparative form which disclose the trend of the business. Inefficiencies in selling and in advertising can be detected, and a basis is afforded upon which managerial action may be taken to improve conditions.

Even the railroads resort to selling records and statements of this type. Gross earnings are shown daily, weekly, and monthly in comparison with similar facts for the preceding year, and in many cases the earnings are shown at least monthly in respect to all stations receiving freight. Thus, the agent representing a railroad company in a small village is provided with information in respect to the earnings of his station for the preceding month and for the same month in the preceding year, and also with a statement

J. Lee Nicholson, C.P.A. "I SOMETIMES envy the young man of to-day his wonderful educational opportunities, especially if he wishes to equip himself for a successful business career. Things were different when I was a boy. There were no books of value on Business to be had, and no educational courses to be taken advantage of. What a young man accomplished, he had to accomplish unaided, and under great disadvantages."

This is what J. Lee Nicholson, C.P.A., one of the best-known authorities on factory cost accounting in the country, said to me the other day during a pleasant chat in his sunny office in the Woolworth Building.

Yet, as I think of Mr. Nicholson's typically American career, from the proverbially humble beginning to his present high position in professional accountancy and education, I sometimes wonder whether it isn't better, after all, for a young man with stuff in him to be compelled to forge his own tools of advancement before he uses them. It is such careers as Mr. Nicholson's that set this train of thought in motion.

Though a Southerner by birth, Mr. Nicholson received a common-school and a business-school education in Pittsburgh, where circumstances made it necessary for him to get a job when he was a mere stripling. Accordingly, he entered the employ of the Keystone Bridge Company, one of the Carnegie Steel concerns, as office boy. He was soon promoted to the engineering department where he got his first liking for costs, since his duties consisted largely in making out shop bills and in drawing up sketches and plans which were used by the foreman and the superintendent of the company.

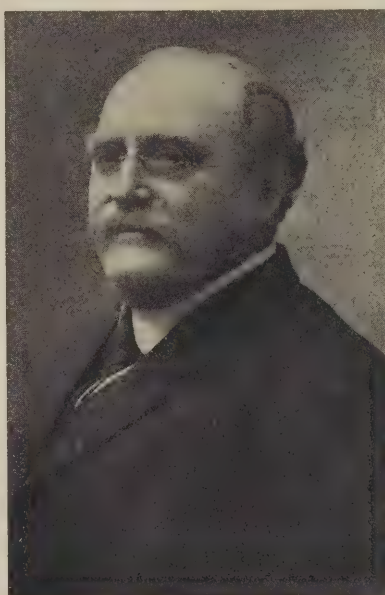
During this time Mr. Nicholson had been spending most of his spare time in the study of Accountancy; so he was qualified to accept a position as Accountant with the Pennsylvania Railroad in Pittsburgh, where he remained a year. In this new position he was employed almost wholly in calculating the cost of the water used in the tenders of the engines throughout the Pennsylvania Railroad system.

Ambition kept stirring within him, and he resigned his position and came to New York in 1885, when he was twenty-two years old. For two years he acted as book-keeper, and later as traveling salesman, for S. Katz & Company, importers of buttons and novelties.

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Mr. Nicholson, young as he was, had long intended to enter the professional practice of Accountancy. In 1889, realizing that he must make a start in his chosen work, he opened an office as a practicing Accountant under the name of J. Lee Nicholson, which has been the firm name ever since. After the usual hardships which seem to be in store for the young man just entering any profession, Mr. Nicholson began to make an enviable reputation for the high quality of his work, and business came to him



J. Lee Nicholson, C.P.A.

Factory Cost Specialist

rapidly. Mr. Nicholson's present firm enjoys a large and lucrative practice in all aspects of Accountancy, though it is perhaps best known for its work in industrial engineering and cost accounting, upon which Mr. Nicholson began to specialize in 1901.

Mr. Nicholson has been a prolific and an authoritative writer and speaker upon Cost Accounting. He is the author of various articles upon this subject which have appeared in the leading trade publications of the country, and he has spoken many times on Cost Accounting before manufacturers' associations. His first book on Cost Accounting, "Factory Organizations

and Costs," appeared in 1909. This book was followed by a second, designed for use in a correspondence school. His third and most exhaustive book, "Cost Accounting—Theory and Practice," which came from the press three years ago, is now used either as a text-book or as a reference book in many of the American colleges which offer courses in Accountancy and Business Administration.

For fifteen years Mr. Nicholson has been a member of the New York Society of Certified Public Accountants, and is now its First Vice-president for the third consecutive time. He was formerly a member of the old American Association of Public Accountants, and at one time chairman of the committee on terminology. And he is now a prominent member of the newly formed Institute of Accountants of America. Mr. Nicholson for four years has been a valued lecturer on Cost Accounting at Columbia University.

Mr. Nicholson, like other keen observers of the present trend of business, believes that the profession of Accountancy offers great inducements to young men who are qualified by temperament and training to enter it. He also is strongly of the opinion that training in accounting, law, and allied subjects is the surest possible guarantee of success in organization employment.

"The big need of to-day in Business," said Mr. Nicholson, in his genial but forceful way, "is for young men who are capable of making correct decisions on business matters. Present conditions being what they are, this ability can be and must be largely developed by means of the study of subjects which bear upon and reflect the promotive and executive aspects of Business as it is carried on throughout our country to-day."

It is generally admitted that the able accountant is an exceptionally high type of business man, and that his opinions upon all regulatory and constructive aspects of business are worthy of careful thought. This high appraisal of the Accountancy profession is more than corroborated by an informal discussion with J. Lee Nicholson upon any of the countless thought-provoking aspects of modern organized business. Wide experience in business, keen observation of its processes, and deep study of its principles have produced a ripe fruitage in Mr. Nicholson—they have made him a man who, when he speaks upon Business, speaks with authority.

Who's Who

Biographical Sketches of Men of Affairs

An Authority on Cost Accounting



REGULAR law
courses are no more
adapted to the
needs of business

men than business law courses
are adapted to the needs of law-
yers. Startling as this statement
may seem to the layman, it is

based upon the soundest pedagogic principles.

Mr. Charles A. Pace has pointed out one of
the main distinctions—that the university law
school is national in scope, whereas the business
law course should be local in its appeal. For
example, the Harvard University Law School
does not attempt to teach to its students, who
come from every state in the Union, the statutes
of their respective states. Dependence is placed
upon the fact that these students will have avail-
able, during their active law practice, local stat-
utes. Purely Statutory Law, excepting such as
is national in nature, is therefore acquired by the
law student after he starts his law practice, or
by special research preliminary to his state ex-
amination.

These statutes are not within reach of the
average business man, and he has neither the
time nor the inclination nor the opportunity to
go to law libraries and to ascertain the local law
of his state. It follows that the business law
school, in fulfilling its mission, must give the
business man a knowledge of the Statutory Law
of his state more thoroughly than do law schools,
most of whose students intend to practice in other
jurisdictions than the jurisdiction in which the
school is situated.

Another distinctive feature of business law
training, frequently overlooked, is probably best
brought out by the following comment by a for-
mer student on a course given in a newly estab-
lished business school:

"The two-hour Law sessions passed most rap-
idly, because the work was so interesting. Argu-
ments and discussions on hair-line decisions oc-
cupied most of the time. Although this was very
pleasant, my recollection of the Law is hazy and
vague, and of little practical use to me in my
daily business."

Beyond question, the lawyer instructing this
young man's class attempted to teach in the same
manner as in the regular law school. Probably
90 per cent. of the legal problems confronting the
average business man are susceptible of definite
decision one way or the other. The remainder
are on the border line. These border-line de-
cisions involve legal points most apt to be liti-
gated. They are the cases which the lawyer most
often meets in his practice, and which the law

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school properly emphasizes. They
are, on the other hand, the cases
which seldom happen with the aver-
age business man, and in which he

is least interested. Means which will definitely
fix his rights, and which will prevent a border-
line case from arising out of his business trans-
actions, interest him the most. Discrimination to
discern when given facts may involve legal "hair-
splitting" is necessary, so that the lawyer may be
consulted before the case is beyond remedial ac-
tion. It is positively dangerous to create in the
mind of the business man the impression that he
can do that which even the lawyer dare not do,
namely, make a curb-stone decision in cases in-
volving unsettled parts of the Law. Business law
courses, however, can and should emphasize those
cases which have in them certainty of decision;
and it is impossible to do this and, at one and
the same time, lead the student into the twilight
zones of legal decisions.

Precautions to be taken in conducting business
transactions are of most practical use to the busi-
ness man. The lawyer is concerned with the kind
of cases apt to take him into the courts; the busi-
ness man with the steps to be taken to keep him
out of the courts. He may be taught cases in-
volving certain distinctions under the Statute of
Frauds; but it is not necessary for him to know
every possible contract which may or may not
fall within its provisions. It is vastly better to
impress upon him the advisability of having all
doubtful contracts in writing than to attempt to
discriminate as to which of the doubtful ones
may or may not be in writing.

So vast is the compass of the Law that the
best law school can teach but a very minute por-
tion of the whole. It is never a question of
quantity, but always one of selection. Moreover,
that selection most suitable to the lawyer is by
no means the same as that which would be of
most benefit to the business man.

LEGAL responsibility of accountants is not
definitely defined. Some cases have arisen
in England, but so few in the United States that
the law may be regarded as unsettled. Never-
theless, light may be thrown upon the question
from analogous cases.

Legal
Responsi-
bility
of
Account-
ants

Those undertaking to furnish information for
the use of business organizations are responsible,
subject, of course, to any contractual limita-
tions that may exist, for the consequences of
negligence or of fraud. Not a few cases have
been decided respecting the liability of mercan-
tile agencies for erroneous credit information fur-
nished clients. These agencies attempt to pro-

(Continued)

protect themselves by contracts limiting liability. A recent case involved a report on a partnership dealing in furs in New York City. The assets were stated as \$58,500, and the liabilities as \$43,500. These figures were obtained from a financial statement dated six months prior to the client's inquiry. No information had been received by the mercantile agency respecting the partnership later than five months before the inquiry.

Within a short time after the client extended the credit, the firm went into bankruptcy, and thereupon action was commenced against the mercantile agency. The liability limiting clause in the contract read, "that the said company should not be liable for any loss or injury caused by the neglect or other act of said company or any of its officers, agents, or employees in procuring, collecting, and communicating said information."

The Appellate Division of the Supreme Court (150 N.Y.S. 833) held the mercantile agency liable on this statement of fact. In the decision, the court said:

"The evidence justified a finding of gross negligence, and also that the defendant was guilty of constructive fraud in thus misrepresenting the financial credit of the firm to the plaintiff, thereby leading, if not inducing, him to extend the credit." It is also stated that a reasonable construction of the clause I have quoted above relieves the defendant from errors and mistakes, but not from knowingly making false reports, or from gross and inexcusable negligence.

So difficult is the drawing of a contract that would completely relieve a mercantile agency of responsibility for information furnished, that at least one of them resorts to a very ingenious expedient. By the terms of the contract the employees of the agency are made agents of the client, so that the mercantile agency itself ostensibly becomes a medium for merely introducing the client to his "agent."

From the various decisions relating to mercantile agencies, it would seem that the law would hold an accountant furnishing information to a high degree of care. This liability would not always be upon contracts, because the accountant's certificate is depended upon by others as well as by those who directly engage his services. The fact that few cases have arisen is a high tribute to the integrity and character of the members of the Accountancy profession.

"In the moral, as well as the natural world, we perceive that Infinite Intelligence undeviatingly acts upon the principle of order."

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ACCOUNTS Receivable are becoming more and more the subject of sale or of pledge. When they are sold, the purchaser usually

Sale
or Pledge

pays a price much less than the book value, because allowance must be made for uncollected accounts. These transactions afford opportunity for usurious loans. A sale of accounts receivable at a discount does not involve the question of usury. Should the transaction be a loan, then the discount, if above the legal rate, is usurious. Hence, it is important to determine whether a sale or a loan is the basis of the transaction.

This question arose in the case of Mercantile Trust Company vs. Castor, 112 N.E. 988, wherein a firm transferred its accounts receivable to a trust company, for which the trust company paid a certain amount lower than the book values of the accounts. The transferrer guaranteed that the accounts would be paid at maturity. The court held that the effect of this guarantee was to indicate that the parties intended a loan and not a sale, and that, therefore, the contract was usurious.

In all of these cases the main means of determining the nature of the contract is to ascertain the intent of the parties. If it is a sale, title to the accounts is in the vendee; if a loan, title remains in the borrower. Should the latter be the case, the lender holds the accounts as a pledge. The chief method of distinguishing a pledge from a sale is to ascertain whether the party delivering the property can or cannot obtain his property again by paying the amount, including possibly interest.

Inasmuch as the creditor ordinarily has the right to collect the accounts at maturity, this test is difficult of application in the case of accounts receivable. The case I have cited has been criticized in other reviews. Nevertheless, I incline to the belief that it contains a more definite test than that usually given. The test is: Does the risk of ultimate collection rest upon the party delivering the accounts, or upon the party obtaining them? If a material part of the risk is placed upon the party obtaining the accounts, it would seem that the transaction should be regarded as a sale. If not, a loan would probably result. Owing to the ease with which their intentions may be misconstrued, it should be the aim of parties entering into such contracts so to word them that there can be no doubt as to the nature of the transaction.

A student may forget the fine distinctions which characterize cases involving the statute of frauds—but he will always remember to reduce to writing any contract likely to come within its provisions.

A PARTNERSHIP sells its business to a corporation. The old partners are the controlling stockholders of the new corporation.

The corporation is capitalized at \$100,000, and the net asset value of the partnership taken over is \$125,000. Is it permissible, under the laws of the State of New York, for this corporation to commence business with a surplus? State, in general, the law in other jurisdictions on this point.

A Contributed surplus is to be distinguished from surplus from operation. A corporation cannot start business with a surplus from operation, for the reason that the source of such a surplus is profits secured from operation.

There is no legal objection in the State of New York to a corporation's starting business with a surplus, so long as the capital stock exceeds the minimum prescribed by law. This contributed surplus is available for distribution to the stockholders. In strict legal terminology, such a distribution is not considered in every instance to be a dividend.

This is the law prevailing in practically all of the jurisdictions of the United States. In fact, with moneyed corporations, such as banks, it is quite customary to start the corporation with contributed surplus. I am inclined to believe the law would view such a condition favorably.

In this connection, it may be noted that should the corporation reduce its capital stock, in accordance with Statutory provisions, then a surplus resulting from such reduction may be retained by the corporation. The New York Statute on this point leaves the question as to whether such surplus shall be distributed to the discretion of the board of directors.

Partnership assets purchased by a corporation should be taken in at their true values. But the bringing in of assets below the true values, for the purpose of wiping out an initial surplus, cannot be advised. From the accounting view-point, it is as undesirable to understate values as it is to overstate values.

Contributed surplus may arise in three principal ways: First, by payment of a premium to the corporation for stock at the time of the issue; second, by reduction of capital stock, in which event previous payments of stockholders for stock are converted into surplus; third, there may be an assessment levied on stockholders to create a surplus, after the sale of the stock and the commencement of operations, which assessment can be made only with the consent of stockholders. No matter from what sources the contributed surplus may arise, it should appear in the accounts and on balance sheets separately and dis-

tinctively from surplus accumulated from operation.

Q Each member of the firm with which I am employed is insured for the benefit of the other members. The policies are on the 20-year-payment plan. Is it permissible to deduct the initial cash-surrender value, together with the annual increases in cash-surrender value, from amounts chargeable against profits for the premiums on these policies?

A Partners insure for the benefit of each other in order that losses incident to dissolution upon the death of one of their members may be covered.

In the event of bankruptcy, insolvency, or like contingencies, the cash-surrender values of the several policies would be regarded as legal assets, available for distribution to creditors. As such they would logically be carried on the books as an asset of the partnership. It follows that each year there is added to the partnership assets this value, which would be in the nature of a value offsetting premiums paid. The cash-surrender values may therefore be set up. In case of realization of policies, however, the payment of the face of the policy will, of course, include the cash-surrender value set up on the books.

Q During 1916, a firm had some merchandise on hand which had been purchased from my Company. The firm wished to dispose of some of it in order to liquidate its indebtedness to us. We succeeded in finding a purchaser for a large portion of the stock, and arranged with our debtor to ship this stock to the prospective buyer. When this shipment was made, an invoice was rendered to us for the articles shipped, and the customer making the shipment was credited on his account accordingly. Through an oversight, however, the party receiving the goods was not charged, and this fact was discovered only a few days ago, after all the books for the year 1916 had been closed. Will you kindly inform me through the Question and Answer Department of The Pace Student how this transaction can be adjusted so as not to affect the profit results for the current year?

A You do not state what account was charged when the customer making the shipment was credited for the goods shipped to another purchaser. If no account was charged, then, of course, your books were out of balance. Naturally, the charge should have been to the new purchaser. If this charge was omitted, evidently your Accounts Receivable Ledger would be out of balance by the amount. This would not affect

your Profit and Loss Account, and would have to be corrected simply by making the proper charge to the detail account, which would restore equilibrium to the Accounts Receivable.

(Continued)

If, however, when the customer was credited, a corresponding charge was made to some account, such as Returned Sales, then the profit showing for the past year would be decreased by that amount. Such an error would be corrected by a debit to the new purchaser and a credit to Surplus or other account to which net profit had been credited.

Q What becomes eventually of a Reserve for Depreciation? If the amount of depreciation equals the amount of the asset, is it good bookkeeping procedure to charge Reserve for Depreciation and credit the particular asset account, thus closing out both accounts? This would be exactly the result arrived at if the asset account were reduced a certain amount yearly and the same charged to Profit and Loss.

A A Reserve for Depreciation is set up by credit entries against debit entries to the Profit and Loss Account. Presumably it measures the decrease in value of the asset covered. In a Balance Sheet the reserve should be subtracted from the asset account to which it belongs, forwarding into the final column only the difference, which represents the net value of the asset. When the amount of depreciation equals the book value of the asset, no further depreciation should be set up thereon. In custom, one sometimes finds this condition resulting in an entry which eliminates both items from the Balance Sheet. It is preferable to allow both items to remain, as they tell more fully the history of the business, showing that the actual asset exists and that its value has been fully covered by Reserve for Depreciation. When the asset is eliminated, then, of course, both accounts should be eliminated likewise from the Balance Sheet. A Reserve for Depreciation as a separate account is preferable to crediting these depreciation items directly to the Asset Account, as the accounts show definitely the original cost of the asset and the estimated depreciation in value of the asset. If both are merged in one account it is difficult to determine these two separate facts regarding the item.

Q Will you tell me how goods may be marked to indicate the cost price, as well as the selling price, but so that the purchaser will not be able to know what the cost price is? I understand that there is some way of marking them in secret code, but do not understand how to devise such a system.

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A secret code for writing numbers usually consists of an arbitrary sign or letter to represent each number.

This usually means that a code list must be kept and consulted every time an article is marked or the price is read, until one becomes so familiar with the symbols that they recognize instantly the numbers they are intended to represent. Such a system is purely arbitrary, and any one can devise one by assigning any letter or arbitrary sign to each of the ten digits.

Another plan frequently used is to decide upon a word or phrase consisting of ten letters, no letter being repeated. Allow the first of these letters to represent the digit "1," the second letter to represent the digit "2," and so on throughout the list, the last letter representing "0." As an illustration, take the word "bisulphate." This is a cipher that is easily remembered, and a number can readily be written therein or read therefrom without consultation of a code book. For instance, to write \$15.00, put down "BLEE."

Another system requires that for each figure of the number you write the succeeding figure in the numerical list. By this system, \$15.00 would be written \$26.11. To read numbers written in this system you consider the next lower digit instead of each digit that is written. Another system, occasionally used in retail stores, is to mark each item with the dozen price reversed. That is, if an article costs \$2.30 per dozen, it is written ".032."

There are many other systems, but no doubt we have illustrated a sufficient number to give you an idea of how to devise a system which will meet your particular needs. You realize, of course, that any of these systems can be deciphered by persons of fair cleverness, and with some experience in such systems.

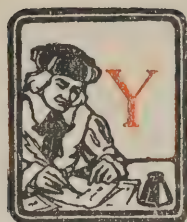
WANTED-COST ACCOUNTANT

A firm of Certified Public Accountants offers a permanent engagement to several competent accountants at their Ohio Office.

Applicants must have experience in devising and installing factory cost systems; must understand the collection of material and labor figures, the various methods of distributing the factory overhead, and the building of a cost system controlled by the general books. References as to character and ability required. *No bookkeepers or cost clerks wanted.* State salary desired and give history of your experience fully in first letter. All communications confidential.

Address, L 63

THE PACE STUDENT



The
Fighting
Edge

ity for getting our second wind. The fighting edge comes from mental fitness—the power to concentrate and think and reason, the ability at once to mobilize our brain resources on the firing line. The fighting edge comes from emotional fitness—joy in our work, belief in its worth while-ness, satisfaction in its future opportunities. The fighting edge means indifference alchemized into action, mental torpor alchemized into mental agility, self-pity alchemized into self-respect, contentment with half achievements alchemized into resolution for full achievements. The fighting edge is the thing that makes us want to spell man with a capital “M.” Come, let us, you and me, go after it and make it our own—the fighting edge!

Executive
Ability

ONE of my closest friends—a young department head in a large manufacturing corporation—is noted for his executive ability. He gets things done without friction and on time. His subordinates—he has about sixty assistants, clerks, and stenographers—swear by him. I asked him the secret of his executive success. “There is no secret about it,” he replied. “But there are a few things I do which may be a partial answer. Whenever I have any fault to find with any one’s work, I take that person into my office and talk the matter over with him or her alone. First of all, I pick out what is praiseworthy and mention that. Then I show wherein faults are being committed; here I am always very explicit, and I never show any trace of irritation. But, most important of all, I bring myself, my own experience, into the discussion; I mention my early mistakes and what I had to do in order to overcome them. The net result of this kind of treatment is that every member of my force feels that there is a bond of human sympathy between us, and that it would be absurd to become disaffected or discouraged. Better work, more enthusiastic work, always follows as a matter of course.” In these

YOU need it, I need it, we all need it—the fighting edge—if we would attain the

goal of our commercial hopes.

The fighting edge comes from physical fitness—a good digestion, a liver that works, a capac-

ity for getting our second wind. The fighting

edge comes from mental fitness—the power to

concentrate and think and reason, the ability at

once to mobilize our brain resources on the firing

line. The fighting edge comes from emotional

fitness—joy in our work, belief in its worth while-

ness, satisfaction in its future opportunities. The

fighting edge means indifference alchemized into

action, mental torpor alchemized into mental agili-

ty, self-pity alchemized into self-respect, content-

ment with half achievements alchemized into

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words there is sound managerial psychology; certain other executives of my acquaintance would do well to take a leaf out of my friend’s

book of methods.

THE twins of business success are Planning It Out and Putting It Through. Closely related are they, independent though they may be in action.

You know him—the man of plans. He knows what he wants to do, what can be done, what should be done. His ideas—many of them—are good, capable of realization; but as for devising and running the machinery that will carry them out and produce the profit results, there is where he usually lacks. Details he loathes, and daily reports irritate him. His work, he temperamentally feels, is to conceive, invent, and plan in a large way.

You know the other chap, too—the man who puts through the plan and makes it produce. He is not concerned much with the ideas themselves. His business is to see that results are achieved; that the organization exchequer receives a steady increase in dollars and cents. He may be lacking in vision, in imagination; but, as a dynamic force that makes the wheels of the machinery of production whirl and sing, he asks no odds of any man. “Deliver the goods” is his daily and hourly slogan.

Sometimes Mr. Planning It Out and Mr. Putting It Through are found in one and the same person; then a \$50,000 salary is often in sight. Usually, though, they are two different types of persons who supplement and fortify each other. The organization with big hopes of success needs them both.

AN exchange which comes to our desk contains a cartoon based upon the statement by Chairman Hurley, of the Federal Trade Commission, that “only 10 per cent. of the merchants in the country really know their overhead costs and take them into account.” In the cartoon, a merchant is sitting at his dinner table with his three boys, whose appearance indicates ravenous appetites. The boys represent Cost of Material, Labor Cost, and Other Direct Expense. The

The
Twins
of
Success

Overhead
Expense

THE PACE STUDENT

*A Magazine of Service
Interpreting
the Purpose, Spirit, and Needs
of Modern Business*

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merchant, having divided his cake into four slices, has passed one slice to each of the lads and is lifting to his own plate the fourth, which is labeled Net Profits, when the door opens and a fair lady enters. Her name is Overhead Expense. The look of dismay on the face of the merchant is quite pathetic as he stammers, "Oh! I forgot her."

We will not take issue with the cartoonist who has so effectively portrayed a condition that often exists, not only among merchants, but among other classes of business men as well. Our first thought, however, upon glancing at the cartoon is: Why picture Overhead Expense as feminine? Overhead Expense, when recognized at all, is a necessary evil, little to the liking of the business man. Surely, we cannot say the same in respect to femininity. But let it pass.

Overhead Expense is seldom understood. Its value is not realized; yet it is the expense that should make all other expenses productive. Business men seldom have any great affection for expenses of any character, but the direct expenses are not usually resented as vigorously as are the indirect. The usual feeling regarding the latter is that they must be tolerated because they exist and must exist, but that they are of no value, and serve only to reduce Net Profits.

This attitude is erroneous; Overhead Expense should be productive of Net Profits rather than otherwise. If the service covered by that word "Overhead" does, with a given amount of material, labor, and other direct expense, produce a greater Net Profit than would otherwise be produced, it is not useless, and it is to that extent productive. Better light, better heating devices, better superintendence, should all result in better Net Profits. There is as much opportunity for production in Overhead as in direct store or factory costs.

Budgets **T**HIS is an age of Budgets. We find institutions of every kind preparing annual Budgets. The cities are preparing Budgets, the Nation is preparing Budgets, and even individual households are preparing Budgets of their annual income and each penny of its expenditure. All of this is as it should be.

These Budgets are based primarily upon the expenditure of money; but money is not the only valuable element we have that requires caution in its disbursement. If the Budget plan, therefore, is valuable in the expenditure of money, is it not even more valuable in the expenditure of time?

What do you expect to accomplish in this world? Set it down, definitely. How much of

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this have you already accomplished? How many years have you for its completion? Set that down, approximately. Apportion the work over the years to come. Settle definitely the amount of it that you must accomplish in this coming year. Then divide that by months, and set the plan or chart before you on your desk so that you may see it daily. Each month record the progress that you make.

The results may startle you; but, also, they may be very gratifying.

"WANTED—Self-Starters" is the suggestive title of a newspaper paragraph I read some time ago. Here we have in three words an epitomized sermon on business success. There are plenty of men and women who perform their work well when somebody else starts them going. They are the kind that fill the routine jobs of various grades in the modern organization. You number them by the thousands. What Modern Business needs is young men and women of initiative, ambition, vision, capacity to see things and do things without waiting for external momentum to set them in motion. Give us more "self-starters," and give them to us quickly.

Self-Starters

ONE way of testing the value of an educational program is to note the kind of reactions it produces on the part of the student body en masse and individually. Do the subjects studied—assuming they are actually studied and not skimmed over—react on the student mind in developing power of sustained concentration, the ability to formulate logical judgments respecting ideas and courses of action, the inclination to seek out the unknown and correlate it with the known, and the purpose to serve oneself by serving others in the spirit of whole-hearted cooperation? The educational curriculum that produces reactions of this kind has demonstrated its right to existence and, what is more, to whole-hearted support.

Mental Reaction

LIFE is full of knocks and knock downs. No body escapes his prefated share of bruises—bruises to his self-esteem, his self-confidence, his self-achievement. They toughen your fiber—if you have any fiber to toughen. They stiffen your backbone—if you have any backbone to stiffen. They put the glint of determination into your eye—if you have an eye that faces facts as they are and as they can be. The men that amount to anything are always those that find in disappointment and defeat a means to later achievement. Such men are game. Are you?

Game Men

Chas. B.
Couchman,
C.P.A.



THE problem we are presenting below involves many of the accounting principles that must be kept in mind in the preparation of Profit and Loss Statements for Partnerships.

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On December 31, 1916, a trial balance of the B, C & D partnership accounting records displays the following items:

	Dr.	Cr.
Cash	\$ 1,380.	
Accounts Receivable	30,600.	
Accounts Payable		\$26,800.
Fixtures and Equipment	12,000.	
Investment	8,000.	
Notes Payable		15,000.
Purchases	191,000.	
Returned Sales	4,500.	
Delivery Expense	5,400.	
Advertising	7,500.	
Salaries	13,400.	
Interest and Discount	3,720.	
Insurance	2,640.	
Taxes	1,140.	
Sundry Expense	16,535.	
Sales		200,000.
Income on Investments		3,600.
B's Capital Account		7,700.
C's Capital Account		23,600.
D's Capital Account		21,115.
	<hr/>	<hr/>
	\$297,815.	\$297,815.

Each of the partners draws a salary of \$200 a month which has been charged to Salary Account. In addition to this, each partner has drawn monthly as follows: B, \$100; C, \$200; and D, \$300; which withdrawals have been debited to their respective capital accounts.

Each partner is to be credited with interest on his contributions and charged with interest on any withdrawals above his salary, at the rate of 6 per cent. per annum.

Six months' interest at 6 per cent. has accrued on a note payable for \$5,000.

The value of the Unexpired Insurance December 31, 1916, is \$240.

Rent at the rate of \$550 per month has been charged to Sundry Expense Account.

Fixtures and Equipment are to be depreciated 10 per cent.

Losses, because of bad debts, in the past have been about 1 per cent. of the net sales.

The Investment Account represents a part interest in a factory whose product is handled by the B, C & D Company. This was originally contributed by D at a valuation of \$20,000. During the year 1916, one-half of this original investment was sold for \$12,000 in order to raise cash to meet a note payable. Another note payable for \$10,000 which matured May 1, 1916, was met by a contribution from C of that amount.

The Inventory on December 31, 1916, was valued at \$64,200.

During the year 1916 certain articles of merchandise advanced in market price; and on December 31, 1916, it would have required \$9,300 to buy the quantity which the firm carried in stock,

and which had cost them \$5,900 the previous year. Desiring to be conservative, they listed this merchandise in their inventory at one-half of the advance in price; that is, at \$7,600.

You are required to prepare a statement showing analysis and distribution of profits of the firm for the year ended December 31, 1916.

TO meet the requirements of this problem the Statement of Profit and Loss must show two distinct facts regarding the year's profit: how it was obtained, and how it was distributed.

In arriving at the first of these it is advisable so to arrange the facts as to display Gross Profit on Trading, Net Profit on Trading, and Total Net Profit. This last amount is the total net returns to the proprietors as a result of partnership transactions.

Salaries of the partners and interest upon their contributions and withdrawals are not included in this section of the statement. These items do not affect the amount of the net profit; they only affect its distribution. As between the partners, these items are effective to the extent that they influence the portions of the net profit which each partner receives. They do not, however, affect the partnership as a whole, and therefore are not considered as expenses of the business. It is true that the contrary view is held by some business men. But if the salaries of the partners are an expense of the business and affect the net profit, then unquestionably the profitability of the business can be increased by decreasing the partners' salaries. Profit is the term applied to the increase of net assets as a result of business operation. It may be withdrawn by the ownership without reducing the original capital.

In this problem the total increase of net assets is \$26,400, which is distributed by various methods to the partners. It is also evident that this amount is neither increased nor decreased by varying the amount of salary of the partners, nor by doing away with such salary entirely. The partners receive neither more nor less in total, as the result of the year's transactions.

It is evident, therefore, that neither salaries to partners nor interest upon Investment affects in the slightest the total returns to the proprietorship for the use of Capital, effort, or skill in the organization. Therefore, logically, they cannot be considered as expenses.

Several adjustments of nominal elements must be made before the accounts will present a true condition of the progress of the business.

Comments

B. C. & D.

Statement of Profit and Loss for the Year Ended December 31, 1916.

Solution

TRADING

Sales	\$200,000.00	
Less: Returned Sales	4,500.00	
Net Sales		\$195,500.00
Purchases	\$191,000.00	
Less: Inventory at December 31, 1916	62,500.00	
Cost of Goods Sold		128,500.00
Gross Profit on Trading		\$ 67,000.00

EXPENSES

Salaries	\$6,200.00	
Advertising	7,500.00	
Delivery Expense	5,400.00	
Interest and Discount	3,870.00	
Insurance	2,400.00	
Taxes	1,140.00	
Rent	6,600.00	
Depreciation on Fixtures and Equipment at 10 %	1,200.00	
Loss on Bad Accounts at 1% of net sales	1,955.00	
Sundry Expense	9,935.00	
Total Expense		46,200.00
Net Profit on Trading		\$ 20,800.00

NON-TRADING INCOME

Profit from Sale of Assets	\$2,000.00	
Income from Investment	3,600.00	5,600.00
Total Net Profit Available to the Partners		\$ 26,400.00

DISTRIBUTION OF NET PROFIT

Drawn by Partners as Salary	\$7,200.00	
Credited to Capital Accounts, as Interest:		
B, 6% on \$8,900 for 1 yr.	\$534.00	
Less 6% on \$1,200 for 6 mo.	36.00	
		\$498.00
C, 6% on \$16,000 for 4 mo.	\$ 320.00	
6% on \$26,000 for 8 mo.	1,040.00	
		\$1,360.00
Less 6% on \$2,400 for 6 mo.	72.00	
		1,288.00
D, 6% on \$24,715 for 1 yr.	\$1,476.90	
Less 6% on \$3,600 for 6 mo.	108.00	
		1,374.90
		3,154.90
Balance, Credited to Capital Accounts, equally:		
B, $\frac{1}{3}$ of \$16,039.10	\$5,342.37	
C, $\frac{1}{3}$ of 16,039.10	5,342.37	
D, $\frac{1}{3}$ of 16,039.10	5,342.36	
		16,039.10
		26,400.00

(Continued)

Interest Account must be increased by \$150, covering the accrued Interest on Notes Payable. The profit must be reduced by the depreciation of \$1,200 upon Fixtures and Equipment, and by an estimated loss because of bad accounts amounting to \$1,955. Of the balance upon the Insurance Account, only \$2,400 represents a nominal element to be brought to the Profit and Loss Account; the remaining \$240 being the prepayment for a benefit not yet received by the partnership. Salaries to the partners should be separated from salaries paid to parties outside of the partnership, and should be shown in the division which displays the distribution of the Net Profit.

The Inventory of December 31, 1916, must be reduced by \$1,700. The generally accepted rule of conservative business houses and accountants is, that assets held for realization should be inventoried at cost price or at market price whichever is the lower. This firm has listed its merchandise at \$1,700 more than cost. To allow this to remain on the books would make a false showing of profit to that extent. Profit upon merchandise must be the result of selling at a price advanced over cost price. Either cash, or a claim for cash, must be obtained before it can be considered as profit. In this problem this particular merchandise has not yet been sold. The firm does not have this profit of \$1,700, nor does it have a direct claim upon any one for this \$1,700. Therefore, it should not be included in the Profit.

As the Inventory as of December 31, 1915, does not appear in the Trial Balance, the presumption is that it has been included with the Purchases. A common practice in many business houses is to include the Inventory at the beginning of the period as the first item upon the Purchase Account for the period.

The Income upon Investments of \$3,600 is not the direct result of the partnership's trading operations, but instead is the return upon an investment in another enterprise. This should be shown in the Profit and Loss Statement after the results of trading, but included in the Net Profit to which the proprietorship is entitled.

Since the part of the original investment that was sold during the year for \$12,000 cost the partnership \$10,000, a profit of \$2,000 was realized. D consented to a valuation of \$20,000 upon this item when he contributed it to the company.

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Therefore, this realized profit becomes, not the profit of D, but the profit of the partnership. It is not the result of operation, and therefore forms no part of the net profit from operation, but is included in the net profit to which the proprietorship is entitled as the result of the year's transactions. The remaining portion of the investment cost the partnership \$10,000, and should be carried on the books at \$10,000 instead of \$8,000. If this investment had not produced sufficient income it might be considered conservative practice to write down its value to \$8,000, as had been done by the partnership; but the amount of income realized thereon during the year does not seem to justify such a procedure.

In the calculation of Interest upon the partners' Capital Accounts it is advisable to determine the amount of the Capital Accounts at the beginning of the year, and to calculate the interest upon that separate from the calculation of the interest upon withdrawals made during the year. We thus find, that B's Capital Account was \$8,900 at the beginning of the year; that C's Capital Account was \$16,000, and was increased May 1st, by \$10,000; and that D's Capital Account was \$24,715. The interest upon the Capital Account of each partner for the whole year, less the interest upon his withdrawals, gives the net amount to be credited to his Capital Account as Interest. The calculation of interest upon the withdrawals involves the ascertaining of the average time the amounts so withdrawn were in the hands of the partners.

In the absence of more definite information in this problem we have used six months as the basis for this calculation.

JOSEPH F. RYAN, Pace Institute of Accountancy, has taken up his residence in Waterbury, Conn., to accept a position as stenographer and bookkeeper with the Sperry Engineering Company.

WALTER J. WEEDON, Detroit Technical Institute, has taken up his residence in New York City and has recently accepted the post of secretary to Lieut. Edgerton of the British Foreign Service.

Delays need not necessarily be construed as defeats.

COMPARING College Men with Union Trades Men, Charles R. Mann, in *Columbia University Quarterly*, December, 1916, criticizes the modern college courses in engineering. Engineering schools have been considered among the most practical, and the defects he points out are surprising to those unfamiliar with the situation. He says: "Under the old industrial system, workmen are paid according to the number of hours of work, and little attention is given to the amount accomplished per hour. Under this system the workman accomplishes as little as he dares, and unions are formed to raise the time rate, and to standardize this minimum accomplishment. . . .

"The school system is analogous to this old industrial system, since it awards 'credits' in accordance with Commissioner Finley's 'table of academic weights and measures,' namely:

45 minutes make one hour;
5 hours make 1 week;
36 weeks make 1 unit;
15 units make 1 matriculant;
120 semester-hours make 1 degree.

"The student who puts in the requisite time with an estimated efficiency of only 60 per cent. receives the same 'credit' as one who achieves an efficiency of 100 per cent. The result is similar to that in the industries: many students 'soldier,' try to bluff their way through, and even unite to create the tradition that it is a disgrace to be rated much above the pass mark."

Pointing out the tendency of modern business to pay workmen according to accomplishment, it is suggested that college courses should grade students according to achievement. Intenser application to studies would be encouraged, and the temptation to do only just what is needed to pull through would probably be eliminated in college life.

Criticism is also made of the manner in which the subjects are presented. "The work is not too hard, but it is presented in so abstract a manner that it has little or no meaning to the students. . . . The work must be made more concrete."

The awakening of colleges to business-like methods in education has been a development within recent years. Perhaps the day will come when the college graduate will be equipped to enter his business career upon a higher level than is now the rule.

Inheritance Tax SOME of the aspects and possible solutions of the problems of an inheritance tax on non-resident estates have been exhaustively treated by Joseph F. McCloy, of the New York Bar, a recognized expert on transfer tax and kindred subjects. Our readers will find this article in *Trust Companies Magazine*, New York City, May, 1916, issue. It is well worth reading.

Double taxation, the author considers economically unsound and unsafe as a matter of policy. No doubt this is so where one state taxes the transfer of property of decedents upon the theory of domicile, while another state taxes upon the theory of situs. Steps toward a uniform legislation have already been taken in Connecticut, Massachusetts, Pennsylvania, and, to a limited degree, in New York. Until some definite plan of taxation has been adopted by all of the states, the important question considered concerns what may be done to ameliorate or encourage the readier acceptance of some uniform plan of single taxation.

One of the evils of double taxation, Mr. McCloy contends, is its unprofitableness, in that such a tax tends to drive capital and property from the state, while the statutes imposing such taxes fail to produce revenues commensurate with the cost of collection. If the non-resident's estate is considered as a taxation unit it will be represented, according to Mr. McCloy, only by that portion of the property situated within the jurisdiction, while the whole estate of the resident will be the unit to bear the burden.

As Mr. McCloy points out, several states have either enacted statutes for a "Ratio Provision" to render estates of non-residents within their jurisdiction liable to some tax, even though it be a small one, regardless of the proportionate value of the distributive share of each beneficiary in the property in the state, or in the absence of specific statutory provisions, to administer their laws so as to produce such a result.

The question of the advisability of co-operation upon the part of taxpayers is admirably handled by Mr. McCloy in the following paragraphs:

"That so many states resort to these and other devices for swelling the revenues from non-resident estates, argues for their necessity to justify the expenses incident to collection, for, without such factitious aids, the unprofitableness of such

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statutes would soon become apparent. The persistence of such practices without challenge can be accounted for only by the fact that what is everybody's business is nobody's business. No one estate is inclined to hold the bag, as the saying goes, for all the other estates that would reap the benefit of a successful contest of these pretensions so evidently contrary to elementary legal principles.

"Nor is it likely that the amount of tax involved in any single estate would be sufficient to warrant resistance, although the aggregate of taxes so collected under the guise of statute amounts to vast sums annually.

"If concerted action on the part of a sufficient number of those states affected could be undertaken successfully, the states now enriched through invalid statutes and pernicious methods of procedure would be confined to the proper sphere within which payment of such taxes may be enforced, and it is submitted that the realization that multifarious statutes, so relegated, are not effective revenue producers, operating upon the estates of non-residents, would soon prove a prepotent incentive to the adoption of the desired uniform legislation."

In the September, 1916, issue of *Trust Companies Magazine*, New York City, Mr. McCloy discusses the double and multiple inheritance tax, and gives his opinion that the new federal law should hasten uniformity of state laws. Both articles referred to above are logically worked out and contain much food for thought.—P. G. Burroughs.

FRANK A. VANDERLIP, president of the National City Bank of New York, in the course of an address, entitled "A Country with an Opportunity," delivered before The Bankers' Club of Chicago last December, made some striking observations upon various phases of our national life.

It is Mr. Vanderlip's opinion that, while, on the whole, we are "a sounder nation, a better governed country, a more efficient people than we were twenty years ago, there has undoubtedly been a loss in individual independence." A part of this condition has come, according to Mr. Vanderlip, "from a weak leaning upon legislative action instead of a sturdy dependence upon

individual strength; but part of it, too, has come from a clearer understanding of the unity of society and the necessity, if our social life is to develop harmoniously, that to some extent we must give up our personal inclinations and independence to the welfare of the whole."

Mr. Vanderlip also makes the point that, in his opinion, "the whole theory of the taxation of incomes is wrong; but in saying that," continues the banker, "I do not mean that I would deny that the weight of taxation should fall in an increasing ratio on great wealth. Instead of taxing incomes, I believe we should tax expenditures. . . . The man, who, by judgment, thrift, and economy, by moderate living and modest expenditure, accumulates an income which he promptly returns to reproductive work is rendering the highest type of service; while profligate expenditure, whoever is responsible for it, robs all men and leaves the nation poorer by its double reaction."

Mr. Vanderlip believes emphatically that the ideal banker of the future in America must be a many-sided man with a broad grasp of the principles and the problems, not only of national banking but of international banking and economic relations. Such a banker, according to Mr. Vanderlip, besides being a linguist, will have "the equipment and the experience which will lead him to think clearly and on the broadest lines in regard to the relation of his business, financially, economically, and socially, to his community and to his country."

Perhaps the most significant point that Mr. Vanderlip laid stress on in his address is that "there is a science of political economy. Some of its principles," he says, "are as definite as laws of mathematics. It makes understandable principles and laws that can no more be broken with impunity by a nation than moral laws can be carelessly regarded by an individual. I believe sound thinking in regard to the principles of political economy to be one of the greatest needs of this nation. . . . At the present time we are a nation of economic illiterates."

Mr. Vanderlip's entire address reflects the vision, the broad viewpoint, and the patriotic spirit which characterizes the man of lofty thinking. Copies of this address, which has been printed, will be mailed to those desiring it. Address The National City Bank, 55 Wall Street, New York.

**A
Country
with an
Opportunity**

Horatio
N. Drury,
B.A.



THE effective writer must be a master, not only of sentence structure and word usage, but also of paragraph structure.

A paragraph is a group of sentences which develop a main thought.

No hard and fast rule can be laid down as to the length of a paragraph, or as to the number of sentences it should contain. The number of sentences may vary from one or two to twelve or fifteen. Five or six sentences are generally considered a safe average, since one should avoid, on the one hand, paragraphs that are so short as to be incomplete, and, on the other hand, paragraphs that are so long as to make it difficult for the reader to bear the central thought in mind till the end. The tendency in modern writing is toward short paragraphs.

Topic
Sentences

The central thought of any paragraph, and especially of a long paragraph, is made easy to grasp if the first sentence is what is called a topic sentence. By a topic sentence is meant a sentence which sets forth in general language the central thought of the paragraph, this central thought being developed in detail in the remaining sentences of the paragraph. The topic sentence should almost always be short. The topic sentences in the following paragraphs are italicized:

"We have various ways of obtaining information concerning the makers of bills receivable. Sometimes we write to the sending bank and ask for its opinion of the responsibility of the makers, and sometimes we have Dun or Bradstreet get us an agency report. We generally pursue the latter course when the maker is a large merchant, a partnership, a corporation, or another bank. Once in a while when we receive collateral notes which, in our opinion, are somewhat questionable, we write to a friendly correspondent in the locality of the makers. In this way we usually secure the facts that we need to have."

"The business man of to-day must know economics. Knowledge of economic principles governing the production, distribution, and consumption of wealth largely determines the profitable management of every kind of business enterprise. The man who has mastered the principles of economics and can apply them to business problems is guided in knowing when, where, and how

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much to buy, to manufacture, or to sell. He knows when to curtail expenses; when to promote, expand, and borrow; and how to fix wage scales, regulate overhead charges, and predetermine profit results. The ability to apply economic principles contributes heavily to the eventual realization of business success."

"The field of vocational service is wide in scope. The complex modern business organization, with its extreme division of work and specialization of effort, is constantly seeking the services of men and women who are competent to choose its recruits and to adjust the human material to the tasks in hand. The position of welfare executive, under which the problems of vocational selection and education are grouped, is being established in virtually all the progressive business organizations of the country. The demand is insistent for men and women who can enter upon the duties of these positions with something more in the way of scientific training than the ordinary experience of the teacher or the sociological worker."

"Most mail-order houses in their letters adopt a policy of as intimate relations between the firm and the prospective customer as possible. Some mail-order houses have letters written in the name of the firm, but signed by the writer as department manager, or sales manager, or by some other officer. Other mail-order houses omit the firm name entirely, in order to get away from the 'soulless corporation' idea; and letters to a customer are always signed by the same individual in order to secure a personal relationship that is considered a most valuable asset. The personal note is expected to permeate the entire letter. 'Address your reply to me personally' is the spirit of these firms—a policy that has been adopted after tests have demonstrated that it is the one appeal most effective with the average mail-order customer."

It will be observed from a study of the foregoing paragraphs that each topic sentence contains the central thought of the paragraph as a whole, and that it is easy, as a consequence, for the reader to follow the expansion of the thought. Topic sentences are of great value in all kinds of writing, and their use is unreservedly advised.

Wasting time is worse than wasting money. The latter you may recover sometimes, the former never.

EPSDW

This sounds like a code. It is a code, meaning that our *experience, personal service, and distinctive work* will appeal to you.

Accounting Systems
Printing Binders
Lithographing

Our knowledge of accounting in all of its branches, our long experience in manufacturing and selling this class of merchandise, enables us to give accountants exceptional assistance in the preparation of copy and installation of systems.

Our men are trained for particular work.
It is yours for the asking.

EDWARD KIMPTON COMPANY
MANUFACTURERS

60 John Street

New York City

showing earnings from the beginning of the fiscal year to date in comparison with the previous year. The division traffic agent is also supplied with information which enables him to exert an effective managerial pressure on all the agents in his division.

The same principle of using sales statistics is applied, of course, in all lines of business. The facts, when properly collected, are of great use in stimulating the important business element of sales.

Finally, we may sum the matter up by stating that selling is a vital and essential function in all business enterprises; that the selling record is an incident to a record of merchandise values which may be more or less complete; that it is closely associated with the recording of cash and accounts receivable that arise from sales; and that the full recording of sales provides statistics that may be used effectively for the promotion of the profit object of the business.

THE value of extension instruction is coming to be unreservedly admitted by educators in general. The *Bulletin* of the Department of University Extension of the Board of Education of Massachusetts has just found its way to the reviewer's desk. There are six bureaus that comprise the Department of University Extension, the most important bureau, as stated by the *Bulletin* itself, being the Bureau of Correspondence Instruction; for, says the *Bulletin*, "It has been fully demonstrated that instruction by correspondence, when properly organized, can be made of great value to students who cannot attend classes under personal direction."

The courses offered include: English, Spanish, French, history and government, economics, sociology, money and banking, psychology, arithmetic, elementary and advanced algebra, plane and solid geometry, trigonometry, calculus, bookkeeping, stenography, typewriting, advertising, accounting, business law, mechanical drawing, architectural and free-hand drawing, steam engineering, heating and ventilating, electricity, structural and hydraulic engineering, civil service, and agriculture.

Although the courses mentioned above have been made available in Massachusetts for less than two years, a surprising number of students who are unable to attend either day or evening schools have

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been enrolled. In putting its seal of approval upon extension study, when properly taught through the mails, the Bay State has performed a notable educational service.

ABRAHAM BAUM, Pace Institute of Accountancy, has recently accepted an appointment on the staff of Touche, Niven & Company.

H. G. AMBROSE, C.P.A., former manager of the St. Louis office of Westerman, Trader & Company, announces the opening of his office in the Chemical Building, St. Louis, for the public practice of Accountancy.

HUGH D. O'ROURKE, Pace Institute of Accountancy, formerly employed by the New York Central Railroad, has been engaged as bookkeeper by Marden, Orth & Hastings.

AUSTIN O. UHL, Springfield Institute of Accountancy and Business Administration, has taken up his residence in New York City and has engaged in the practice of public accounting on the staff of Patterson, Ridgway & Fernsler.

EDWARD M. MILLER, Accountancy Institute of Brooklyn, who was formerly employed by the firm of Comstock & Washburn, has accepted a position as bookkeeper for the By-Products Chemical Company.

CHRISTIAN H. BITTNER, Pace Institute of Accountancy, has accepted the post of office manager for the Wales Advertising Company. Mr. Bittner was formerly in the employ of the Warner Sugar Refining Company.

EDGAR H. BOWERS, Pace Institute of Accountancy, Extension Division, has resigned his post as bookkeeper and credit manager for Messrs. Stevenson & Marster to accept a similar position with William Wise & Son, Brooklyn, N. Y.

JOHN B. MILLER, New York Institute of Accountancy, has resigned his position as clerk with the New York, New Haven & Hartford Railroad and has entered the employ of the Co-operative Realty Company as bookkeeper.

GEORGE LUZ, Accountancy Institute of Brooklyn, has recently accepted a post as auditor on the staff of Eckes, Fitz-Gerald & Dean.

JOSEPH R. BRITTAIN, Detroit Technical Institute, has taken up his residence in New York City to enter the practice of public accounting on the staff of Whittlesey, Myer & Wythes.

EDWARD CUNNINGHAM, Pace Institute of Accountancy, who was formerly employed as bookkeeper for the Metropolitan Tobacco Company, has severed his connection to accept the position of general bookkeeper for the Rainier Motor Corporation.

JOHN D. OSTERBERG, New York Institute of Accountancy, has severed his connection with the Mason Seaman Transportation Company. He is now engaged as bookkeeper for Squadron A, Cavalry, N.G.N.Y.

GEORGE N. KAPFER, Pace Institute of Accountancy, has resigned his position as instructor, Department of Education, Jersey City, to accept a position in the accounting department of McKinnon & Robins.

JOHN NOVAK, New York Institute of Accountancy, has entered the practice of public accounting on the staff of Touche, Niven & Company. Mr. Novak was formerly engaged as bookkeeper and office manager for the Pickman Company.

FRANK S. BARTLETT, Accountancy Institute of Brooklyn, has entered the practice of public accounting on the staff of Messrs. Lybrand, Ross Brothers & Montgomery. Mr. Bartlett was formerly in the employ of the Guaranty Trust Company.

CHARLES L. BEEMER, Pace Institute of Accountancy, has severed his connection with the Midland Linseed Products Company to enter the practice of Accountancy on the staff of Marwick, Mitchell, Peat & Company, New York.

EMIL LINDER, JR., Pace Institute of Accountancy, Extension Division, has resigned his position as bookkeeper and cashier with the Geo. F. Staff Company, Rochester, N. Y., to accept the post of junior cost accountant on the staff of Nau, Rusk & Swearingen, Cleveland, O.

Public Speaking "YOU made a fine speech. I didn't know you could get up on your feet and pull any stuff like that. You carried your point, too, didn't you?" Tom and Walter were on their way home after the monthly meeting of the Young Men's Lyceum which they had recently helped to organize; and Tom could not refrain from voicing his admiration of Walter's ability to express himself before others.

"I'm glad you thought I talked well," replied Walter, "though I have some doubts about it myself. I believe, though, that when a fellow has something to say, he should get up and say it as earnestly and as briefly as he can."

"Your theory is all right," rejoined Tom, somewhat ironically, "but like a whole lot of theories it doesn't always work out well. Take a chap like me, for example. If I tried to make a speech, my knees would knock together, my tongue would get dry, and every idea I ever had would leave me. None of this public speaking business for yours truly."

"You haven't got the right viewpoint of the thing," commented Walter. "Of course, some fellows take to public speaking more naturally than others do, but I am certain that every man can learn how to express himself creditably on his feet. All he has to do is put him-

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self through a little preliminary training of the right kind."

"What do you mean by training of the right kind?" queried Tom. "Do you think I could learn to speak in public?"

"I most positively do think so," replied Walter. "I know you could learn how. Four months ago I felt just as you do now. Then I joined a Current Events Club, which had weekly meetings, and in no time I found that I could say what I had to say without stage fright. It's simply a matter of practice. When you once acquire self-confidence, you've won four-fifths of the battle, because we all have subjects to talk about, whether we think we have or not."

"If I wanted to learn how to talk to others, you'd advise me to get up and do it, would you?" asked Tom, still skeptical.

"Exactly," replied Walter. "In this Lyceum that we've just formed, you are going to have any number of opportunities to talk in public. Just say to yourself 'I can talk,' and you will be surprised at what you can do. After you have got to the point where you can say 'Mr. Chairman' without fear and trembling,

you will find your personality developing, and personality is one of the biggest assets for a young man who wants to get ahead in business."

Walter never spoke a truer word. The man who can stand before his fellows and present his opinions logically and forcefully has a great advantage over the man who never rises from his chair. The development of speaking ability and of personality go hand in hand, and the far-seeing man is he who takes advantage of every possible opportunity to perfect himself in the art of self-expression.

ARTHUR WOLFF & COMPANY, Certified Public Accountants, announce the establishment of a Western branch with offices at 605-06 Fay Building, Los Angeles, Cal.

CARTER H. ROBINSON, former Assistant Educational Director of the Detroit Y.M.C.A., has been appointed Educational Director of the Y.M.C.A. at Youngstown, Ohio.

THIS issue ends for the present the "Tom and Walter" series, which has been the source of so much favorable and interesting comment. In the next issue will begin a new series of side lights on the human side of Business—a series of Business Fables, which, we hope, will make you smile and think at the same time.

Judging from the Past

Every year the demand for copies of The Annual Review of The Annalist, issued the first week in January, exceeds the supply and the edition is quickly exhausted.

The Annual Review of The Annalist contains the most complete and exhaustive summaries of business and industrial development to be found in any publication.

Forecasts of the commercial prospects for the coming year occupy an important place

Tabular and Statistical data gathered together in reviews form a treasury from which the man who is interested in the commercial development of the United States can draw without stint.

To anticipate the demand for The Annual Review and to place these facts within reach of all, we will send the next six issues of The Annalist, including The Annual Review, to any address, postpaid, on receipt of 50 cents, money or stamps.

The Annalist

The Journal of Finance, Commerce, and Economics

TIMES SQUARE

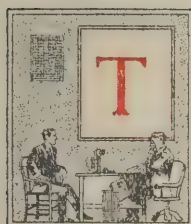
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HE heavy-jowled president of a large railroad often sits near my table in a certain down-town luncheon club. Usually he has two or three guests with him—almost always different men. Sometimes he listens attentively to what his companions say.

Then he asks a question or two, raises an objection, discusses it, and proceeds to listen again. When his guests are doing most of the talking, I know that they are trying to get him to do something for them.

At other times I have seen him talk steadily and uninterruptedly for many minutes. Often he leans forward and brings his fist vigorously down on the table to emphasize some point that he considers especially important. He is likely to pull some formidable-looking document out of his pocket and spread it over the table-cloth, and to refer to certain totals and statements as he goes along. When he takes the conversational leadership in this way, I know that he is trying to get others to do something for him.

The luncheon over, he and his guests usually make for the smoking-room to settle, in one way or another, what has already been pretty well threshed out. It is now a question of getting down to brass tacks as to what is to be done. Steaming coffee and fragrant havanas make their contribution to the sociability of the surroundings; and so, beginning in sociability, accelerated by sociability, and ending in sociability, the luncheon conference becomes the means whereby a business transaction of importance is brought to a definite and successful close.

Business is a social game. To sit in with a

chance of success, you must be genuinely gregarious in your instincts and impulses—you must be sociable. You must like other folks—like to talk to them, to listen to them, to break bread with them. Sociability is friendliness felt, expressed, and realized. It pays dividends in dollars and cents.

The advertising manager of a large manufacturing plant, whom I went to see last week, comes to my mind. I had never met him before. He was very busy, as any one could see with half an eye. Yet when I entered his office,

he got up, shook hands with me, and smilingly offered me a chair, waiting until I had seated myself before sitting down himself. After I had stated my business, he gave me his decision, accompanied me to the door, and held it open for me. That advertising man's sociability has made a friend of me for all time; not only a friend for himself, but a friend for his organization. Assuming that in the course of a year he is treating hundreds of other men in the same sociable way as he treated me, it is very easy to pick out one reason why he earns the

\$15,000 salary which he is reputed to receive.

A certain New York bank, by gaining the reputation for sociability, has incredibly increased the volume of its business. The president, who by the way neither smokes nor drinks, has gained the reputation of being genuinely sociable. He likes people, and he shows that he likes them by the interest that he actively takes, both publicly and privately, in all matters that have a sound human appeal. Under his influence, the bank itself has become humanized; and the public like to deal with it, and do deal with it, because its reputation of being a sociable sort of place—something besides a building in which to

Sociability in Business

by
Horatio
N. Drury

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deposit money or cash checks—has gone widely abroad.

Sociability—friendliness without condescension—on the part of employer toward employee has a deep organization significance, for it develops that greatest of all desiderata in efficient management, a loyal esprit de corps.

Take the case of Hugo, for example. Hugo is an elevator starter in a near-by big building, owned and occupied by a corporation that has branches in all the leading cities of the country. Not long ago that corporation elected a new president. I asked Hugo, whom I know, what he thought of his new employer. "He's the goods, all right," said Hugo, emphatically. "Every day he says good-morning and good-night to me, and he calls me by name, too. Nothing stuck up about Mr. Blank; he's human. I'm proud to be working here." And as Hugo talked to me he kept showing his pride in his job, in the precision and snap with which he kept the elevators running up and down at proper intervals. Hugo's spirit, I have learned since, is gradually seeping through that entire organization, largely because the president is "the goods."

Make time for sociability, though it is more a question of mental attitude than of minutes and hours. Make time for the outward expressions of sociability—for the spontaneous smile, the vocal tone vibrant with good-will, the hearty hand-clasp, the evidence of interest in the other fellow and his problems. Sociability pays—it is large-visioned business.

Don't Do It!

BRIGHT young men often use their brightness in unfortunate ways," said Mr. Blank. It happens that Mr. Blank is a senior partner of one of the best-known Accountancy firms. He is a gentleman well up in years, with long experience in handling men and affairs. In particular, Mr. Blank has always taken a keen interest in young men preparing for Accountancy careers, and has been in the habit of giving them help and advice in generous measure.

Mr. Blank settled back in his chair, and continued: "Here is a letter from a bright young man who applies for a position with my firm as junior accountant. I say he is a bright young man because the letter is grammatically correct, properly paragraphed, and written on the typewriter without mechanical fault. Aside from these points, however, the letter is all wrong—the brightness falls short of good judgment and a sense of the fitness of things.

"The letter begins with a heading just above the first paragraph printed in capitals and under-

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scored—'*I may be the man you are in search of.*'

He asks me if I want a 'clock-watcher,' or 'a man whose object is primarily to serve.' After listing nine subjects of study which the young man thinks qualifies him for work on my staff, he assures me that he represents 'the best possible investment' for me. He says, 'I was an unusually good student both in school and in business, and am possessed of the very highest conception of loyalty and service.' In conclusion, he asks for an interview, the results of which he believes will be mutually satisfactory.

"Flippant, smart-Alec letters of application, of which this is a type, come to me every week, almost every day. They also come to my fellow-practitioners, because the applicant usually writes a letter of application to each Accountancy firm in practice. Letters of this type, presumably worked out with considerable labor, really stand in the way of the applicant instead of helping him.

"My long experience with young men has made me charitable. Most men would judge this letter on exactly what it states. Back of it, however, I can see a young man, inexperienced, without professional ideals, and anxious to secure an opportunity for experience. In his letter of application he has aped a commercial letter of a rather low style, and in rather an ill-mannerly and clumsy way he has attempted to play upon my supposed dislike for 'clock-watchers.' He conveys the impression of freshness, cock-sureness, and flippancy. Between the lines, however, I see what many men might not see—evidence of brightness, training, and even of real ability.

"Tell the young men with whom you come in contact that expect to enter upon professional careers, whether in Accountancy, in Law, in Engineering, or in Medicine, to develop a dignified, professional bearing. Advise them to write, to talk, and to act in a dignified, straightforward manner. Particularly in letters of application, when an erroneous impression is not corrected by personal contact, advise them to avoid the flippant, catch-penny style of the professional letter-writer. Advise them merely to ask for an interview, with a brief statement of their academic and professional school training, and a statement of their experience. Tell them that the object of such a letter is to secure an interview, not to list in detail all of the accomplishments and virtues they possess."

Will you grant the young man a personal interview? I inquired. Despite the generalizations of my friend, my interest had been aroused in the

Leon O. Fisher, C.P.A. **I** KNOW of no better executive than Leon O. Fisher. As an organizer he has no superiors and few equals, and his executive control of details is marvellous. He is one of the few men I know who are really masters of system."

This was the whole-hearted tribute paid to Leon O. Fisher, C.P.A., Third Vice-president of the Equitable Life Assurance Society of New York, by a man, himself an organizer and executive of rare ability, who has known Mr. Fisher intimately for several years.

One reason why Mr. Fisher stands at the top as an executive is his humanitarianism—his interest in the interests of others. He possesses, to an unusual degree, the faculty of welding his subordinates into a productive entity, largely because he knows how to rouse and develop that spirit of personal loyalty which finds concrete expression in genuine team-work. This is one of the main reasons why five years ago, at the early age of forty-one, Mr. Fisher was elected to his present high executive position in the insurance world.

Mr. Fisher has been, in a strictly literal sense, the architect of his own fortune. His early advantages were few. What he has achieved is the direct result of an inordinate capacity for hard work, and of an unflinching determination to make himself worthy of success. Such men, America never keeps down; she may frown upon them at first, in order to test out their mettle, but eventually she sees to it that they receive their proper dues in positions of wide usefulness.

Mr. Fisher is New England born and bred—a native of Manchester, New Hampshire. After a high-school education, he entered the employ of the Fitchburg Railroad in Boston. Then he came to New York and secured a position in the Freight Claim Department of the New York Central, where he remained for a year and a half.

Possessing a natural aptitude for figures, Mr. Fisher withdrew from railroading and joined the staff of the Accountancy firm of William Trenholm, Teele & Dennis. It took him only a short time to master the details of his new work, and his practical ideas on Accounting, in general, soon won rapid promotion for him. After securing the degree of C.P.A., in 1899, he affiliated himself with the Accountancy firm of Haskins & Sells, of which within

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three years he became a valued partner.

Mr. Fisher was the representative of Haskins & Sells in the long investigation of the insurance company with which he is now connected; and his ability and aggressiveness soon attracted the attention and won the high regard of Paul Morton, then President of the Equitable. As a result of this association, Mr. Fisher was added to the executive force of the Equitable as



Leon O. Fisher, C.P.A.
Vice-president of the Equitable Life Assurance Society of New York

General Auditor, in 1906, and six years later was appointed Third Vice-president.

As Third Vice-president, Mr. Fisher is the chief accounting officer of the Society, except as to the actuarial accounting. He audits all receipts and disbursements, prepares all statements of the Society's accounts required by law, and verifies all the Society's financial reports. He is charged, jointly with the Treasurer, with the custody and safe keeping of the assets of the Society under rules prescribed by the Board of Directors. He is the executive head of the Home Office, and he has general supervision over its clerical force, and over the cashiers and other employees of the So-

ciety at branch offices and agencies. He also supervises the purchase of all equipment and supplies.

Mr. Fisher's work with the Equitable has been most important. His broad vision, his far-sightedness, his power of analysis, and his unusual organizing ability, have proved of great assistance to the Equitable during the crises through which the Company has passed during the past ten years. The present sound condition of the Company is a testimonial to the wisdom of its present management, in which Mr. Fisher has played and still plays a conspicuous part.

Among the many matters in which Mr. Fisher takes an unflagging interest is education—especially the education of men and women in Business. On many occasions, both publicly and privately, he has expressed the firm conviction that the present organization of industry makes it imperative for the ambitious man or woman to think seriously of self-development as the means of advancement. At the present time, Mr. Fisher is giving much thought and time to the working out of an educational program for the benefit of the employees of his Company.

Mr. Fisher, by virtue of his long connection with professional practice of Accountancy, still retains his interest in that profession, and, like all other forward-looking business men of the present day, he believes that its future offers great opportunities for the young man of the right temperament and training.

Social and professional distinctions have deservedly come to Mr. Fisher. He has held the office of Vice-president of the New York State Society of Certified Public Accountants, and for many years was a member of the New York State Board of C.P.A. Examiners. He has also been a member of the Advisory Committee of the Bureau of Municipal Research. He is President of the Dunwoodie Country Club, and a member of the Bankers' Club, the Real Estate Board of New York, the American Academy of Political and Social Science, the New York Athletic Club, and the Accountants' Round Table.

The value of a thorough training in Accountancy for one who aspires to a high position in private business is well exemplified in Mr. Fisher's case. The man trained in the science of the executive side of Business is in constant demand, and Mr. Fisher is a notable example in

Who's Who

Biographical Sketches of Men of Affairs

A Thorough Accountant



SALES contracts involving transportation of the goods invariably contain the initials "F.O.B." The meaning of these letters is set forth in a dissenting opinion in *Lumber Company vs. Burlington*, 54

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Neb. 321, as follows:

"The initial letters F.O.B. in contracts of sale when the property is transported mean 'free on board the cars' at a designated place, whether that be the initial point of shipment or the place of final destination. They imply that the buyer shall be free from all expenses and risks attending the delivery of the property at the point named in the contract for such purpose."

The legal effect of the initials may be considered from the view-point of expenses, risks, and payments.

The clause "F.O.B. point of shipment" throws upon the vendor the burden of all costs at that point, such as cartage, port and harbor charges, canal dues, and wharfage. If the shipment is F.O.B. to a specified point of destination, the shipper must bear, in addition to these expenses, all other costs necessary to deliver the goods at that place.

Shipments F.O.B. point of shipment give to the vendee the right to specify transportation facilities, and, in some cases, this is held to be his duty. Unless there has been a course of dealing between the parties, it would seem the safer policy in ordering goods shipped F.O.B. point of shipment to indicate how they are to be shipped.

Generally speaking, transportation risk beyond the point of initial shipment falls upon the vendee, if the contract is F.O.B. point of shipment; upon the vendor, if F.O.B. point of destination.

The rights of the parties, should the goods be lost or damaged, in a contract F.O.B. an intermediate point would depend upon the place where the goods were lost or damaged.

Although the rule is as just stated, there is an increasing tendency to place the burden of transit damage upon the vendee. The older cases hold that risk of loss accompanied title, so that the party holding title at the time of loss was the party upon whom the burden of loss rested. Nevertheless, Williston in his work on Sales shows that the title and risk may be separated. For example, under the new Sales Act, if title be retained by the shipper solely for the purpose of securing payment for the goods, then the risk of loss is upon the buyer.

Two classes of sales contracts involving retention of title for this purpose are: conditional sales, and sales wherein a bill of lading is negotiated. A conditional sale is one in which the vendor retains title to the goods until some condition is performed by the vendee, usually the payment for the goods. Loss of value through wear and tear is borne by the vendee, in that it is the intention that the full purchase price be paid regardless of the fact that at the time of subsequent payment the goods may have decreased in value. Upon this reasoning, courts imply a broader intent that all risk of loss should be borne by the vendee.

Should the shipper have the bill of lading made out in the name of the consignee, this would constitute a fact indicating that the consignee was to bear the loss. If the bill of lading be made out in the name of the shipper, the question then arises, Why has the shipper retained title? If the retention of title may be ascribed solely to the purpose of securing payment of the purchase price, the burden of loss would be not upon the shipper, but upon the vendee. And this burden would rest upon the vendee in spite of the fact that the title remained in the vendor.

This tendency of courts to place the burden upon the vendee accords with the principles of justice. Regardless of any question of title, shipments are made involving risks to the goods at the instance of the person requesting shipment. In other words, the shipper surrenders control over the goods by reason of the agreement of the buyer to purchase them.

There are many cases holding that in C.O.D. contracts the loss falls upon the vendee, even though title does not pass until payment is made.

It is impossible to state how the new Sales Act will be construed upon the question of separating risk from title, by reason of the fact that there are but few decisions to date. For this reason, parties entering into sales contracts should specify upon whom loss of transit damage shall fall.

Few cases have been decided respecting the effect of the F.O.B. clause upon payment. But these cases indicate that payment is due in F.O.B. contracts point of shipment upon the placing of the goods in the car, vessel, or other means of transportation.

From the above it is evident that contracts of sale should include clauses specifying terms of payment, the party upon whom loss in transit shall fall, and, in the event of an F.O.B. contract point of shipment, the means whereby transportation is to be effected to the buyer.

(Continued)

Consider-
ation for
Stock
and
Bond
Issues

CORPORATE stocks and bonds cannot be issued, under many state statutes, except for cash, labor done, or property received. A delicate question arising in connection with this provision is whether an antecedent debt constitutes property which may be legal consideration for a bond or a stock upon its issue. By an antecedent debt is meant one already in existence at the time the bonds or stocks were issued, and contracted prior to the time of issue. According to the weight of authority, such debts cannot be used as a basis for the issue of either of these forms of security (L.R.A. 1916 E, 570).

Nor may bonds or stocks be issued as collateral security for a preexisting debt. In other words, an issue may secure only debts contracted at the time of issue, or to be contracted after issue. Furthermore, it was held in *Merz vs. Interior C. I. Company*, 34 N. Y. Supp., 430 (Appeal dismissed, 151 N. Y., 638), that bonds could not be issued for the purpose of paying a scrip dividend.

Bonds not issued for the consideration specified in the statute would be void in the hands of the original holders. Nevertheless, a person, not an original holder, who paid value for the bonds before maturity, without notice of this defect, would have a valid claim against the corporation.

If the stocks or bonds are issued not only to cover preexisting debt, but to cover money advanced at the time of issue, or money to be subsequently advanced, then the courts hold the issue valid. Likewise, a bond might be converted into stock in accordance with a covenant providing for such conversion.

It is difficult to derive rules of a definite nature on the basis of cases decided. Nevertheless, enough has been said to show that precaution should be exercised respecting a stock or bond issue based upon antecedent indebtedness.

Tax-
Exempt-
ing
Clause

COVENANTS in instruments frequently provide that taxes respecting property shall be borne by one of the parties. For instance, in a certain lease it was provided that all taxes "upon or in respect to the rent" should be borne by the tenant. This lease was construed, in a recent Massachusetts case, to determine whether the clause included the Income Tax. The court decided that it did, and that the tenant was liable for the tax upon such taxable income as was derived by the landlord from the leased premises.

A note in the *Columbia Law Review*, March, 1917, criticizes this decision upon the grounds

that the tax is not upon the rent, but upon the income of the individual. Collection at the source imposes upon the tenant the burden of

withholding the amount of the tax, should the annual rent exceed \$3,000, and if the landlord is an individual. Should the landlord be a partnership or a corporation, this is not required. The distinction between an individual and a partnership or corporation indicates that the withholding is purely a matter of collection, and not one of taxation upon the amount of the rent. In this respect, the criticism of the writer in the *Columbia Law Review* is justified. For, while rent constitutes a part of income, nevertheless, the tax is upon the income of the individual over and above a prescribed minimum. This minimum may be \$3,000, if the landlord is not entitled to exemption, or it may be \$4,000, if the landlord be married or the head of a family. Had the tax been upon rent, or upon a given source of income, the distinction as to exemptions would not have been made. Federal courts support this reasoning.

It is possible, however, for a landlord to avoid liability for income taxation upon rent by inserting in the lease a more comprehensive and inclusive clause. One suggested by the note is, "All payments are to be assumed and discharged by the lessee, just as if he were primarily liable for the same."

These principles apply to any instrument wherein a tax-exempting clause is inserted.

A RECENT Kansas case reiterates the well-settled principle of the Law that, in the absence of instructions by a debtor, a creditor may apply payments to any account he chooses. This right is of great importance in the event that part of the indebtedness is secured and the other part unsecured, in that the creditor would naturally credit payments to the unsecured debt. The Kansas case held that such a credit would be absolutely binding upon the debtor. Some cases cited have even gone so far as to hold that a creditor might apply the payment to a debt barred by the Statute of Limitations in preference to one not barred.

Likewise, the debtor has the right to specify the account to which a payment is to be credited. In the event that the debtor has not indicated to which account a payment is to be credited, and the creditor has not selected an account, the courts will indicate to which account payments are to be credited. In doing so the courts apply payments to those debts the security for which is most precarious.

Applica-
tion
of Pay-
ments

PLEASE advise me fully regarding a business man's sale of his business or any part thereof. For instance, if a creditor makes a shipment on a customer's order, and before the shipment arrives at destination the customer sells his business or his stock of merchandise to another, does the creditor look to the old or the new owner for payment? Please advise which is liable, and if the law is the same in all states.

A This question involves what is known as "novation." By novation is meant the substituting of one creditor by another creditor, or of one debtor by another debtor. It is, therefore, necessary to consider whether the customer selling his business does so under circumstances wherein the vendee of the business assumes the debts, or whether the vendee does not assume the debts. If the vendee does not assume the debts, in the absence of fraud, the creditor can look only to the customer for payment. However, in some states, there are what are known as "bulk sales acts." Under these acts a person selling the bulk of his assets other than in the ordinary course of trade must notify his creditors; otherwise the transfer is deemed void.

Q Each year for four years a reserve of ten per cent. has been set up for depreciation upon Machinery and Equipment which cost \$5,000. This reserve has been charged with repairs and replacements to the amount of \$300 the first year, \$250 the second year, \$325 the third year, and \$200 the fourth year. How should these facts be shown upon the Balance Sheet at the close of the fourth year?

A It is customary upon Balance Sheets to show the amount of the Reserve as a deduction from the book value of the asset, forwarding into the Asset column the difference which represents the estimated value of the asset as shown upon the records of the company.

According to your problem, a Reserve for Depreciation has been credited during the four years to a total of \$2,000, and has been debited with repairs to the amount of \$1,075, leaving a balance of \$925 upon that account. Therefore, upon the asset side of the Balance Sheet it would appear as follows:

Machinery and Equipment . . .	\$5,000	
Less Reserve for Depreciation . .	925	\$4,075

As the constant cost of repairing is a nominal element it is not customary, of course, to show this upon the Balance Sheet in any way. The Reserve that is set up is the estimated measure

of the loss, because of various forms of depreciation during the period. The actual amounts of the depreciation that must be replaced are

charged against this reserve. The balance upon the Reserve Account, then, represents the estimated decrease in value from the original cost price. This amount, together with the cost price, are the only elements presumed to be shown upon the Balance Sheet, as the two taken together represent the value at which the asset is now carried upon the books, which is all the information regarding assets that the Balance Sheet is intended to show.

An analysis of the Reserve Account showing all credits and debits can very readily be attached to the Balance Sheet as a subsidiary record if it is desired to show this in detail.

It has been my practice to close my records monthly, closing off the balance in Profit and Loss Account to Surplus Account and writing Dividends, when declared, out of Surplus. The statement is made that Dividends cannot be paid out of Surplus. Will you kindly advise me whether my past practice has been incorrect, and if so, why?

The other item questioned is the matter of setting up Depreciation on the financial statement. I have shown the Asset Account to cover the original investment, decreasing Surplus and showing Reserve for Depreciation for the amount passed on to be taken up during the period. Exception has been taken, due to my method not fully meeting the requirements of the Income Tax Law. Kindly advise me in this connection.

It must be kept in mind that dividends can only be declared, legally, out of assets in excess of liabilities and the capital stock of the corporation. Such excess is usually measured by an account called "Surplus." This is equivalent to stating that dividends can only be paid out of surplus. Whether the entry be made as a debit to the Surplus Account, or whether it be made as a debit to the Profit and Loss Account before the balance upon that account is transferred to Surplus is merely a question of procedure. If the latter method is followed, it must also be kept in mind that such a charge to the Profit and Loss Account is not an expense of the business, but is only a distribution or a partial distribution of the profits of the period.

Depreciation is a definite expense of the business, and is therefore a charge against income. The amount of the depreciation is usually estimated. This amount is preferably recorded by crediting a Reserve for Depreciation and debiting

the Profit and Loss Account or some division thereof. The debit should not be to the Surplus Account, as the debits of the latter account should, in all cases, represent disposition of Net Profit—not expenses. The method we have suggested does not conflict with the requirements of the Income Tax Law.

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- Q Over one-half of the capital stock of a corporation is represented by Good-will, a large amount of which was written up merely to balance a large stock dividend. It is now desirable to eliminate the Good-will account from the books as soon as possible.

I would thank you to give me your opinion as to the best possible way to get this account off the books. If the only advisable way is to gradually write it down from Surplus, I presume this should be done only by order of the Board of Directors.

- A We do not quite understand the situation you have described in your question, in which you state that Good-will was written up merely to balance a large stock dividend. Dividends, whether of cash or stock, must be paid out of accumulated surplus and cannot, legally, exceed the amount of that accumulation. Frequently, Capital Stock is issued for a value which is entered upon the books as Good-will, but such an issue is not in the nature of a dividend.

If it is desired to eliminate the Good-will account from the record, the customary method is to write it down from surplus as you suggest. Since the amount of the Surplus is determined by the book value of the assets, any reduction in this book value will of necessity result in a corresponding reduction of Surplus. The Surplus of a corporation is presumed to be in the custody of the Board of Directors, and, therefore, any disposition of this Surplus, such as using it to write down the value of Good-will, should be approved by the Board of Directors.

- Q In a corporation in which there is a minority outstanding stock interest of one of the subsidiaries, how would the portion of profits due minority stockholders be shown, awaiting declaration of dividend, on Consolidated Balance Sheet which includes all assets and liabilities of constituent companies?

- A The interest in a subsidiary company of the holders of stock therein, other than the holding company, is usually displayed in a consolidated balance sheet by listing this stock next to the Capital Stock Account of the holding company at

its book value; that is, at the par value of this outstanding stock plus its proportionate amount of accumulated surplus. As an illustration,

if the holding company holds eighty per cent. of the stock of its subsidiary corporation, then on the Consolidated Balance Sheet, after showing the outstanding stock of the parent corporation, the twenty per cent. of the stock of the subsidiary corporation owned outside of the holding company would be shown at its par value, plus twenty per cent. of the surplus of the subsidiary corporation. The remaining surplus of the subsidiary corporation is of course merged with the surplus of the holding company.

While some holding corporations show on their consolidated balance sheets only the par value of the outstanding stock, we consider the method just indicated to be the preferable procedure unless the amount is negligible.

- Please advise me fully in regard to cases where a business man, as a sole proprietor, finds himself in financial difficulty, and offers to compromise his debts at a certain percentage of the real value—say, for instance, twenty-five per cent., and the majority of the debtors accept his proposition; what recourse do the creditors that are in the minority have?

In the event that a creditor does not consent to a compromise of debts, he has all of the remedies accorded a creditor. In other words, he may sue for his claim; or, he may, with the cooperation of other creditors, institute proceedings in bankruptcy.

- A bank holds a first mortgage which runs for one year and expires, not being renewed, either in writing or verbally. The bank, however, accepts the interest for another six months' period. Has the acceptance of this interest the effect of renewing the mortgage automatically or is it liable to be called at any time?

Acceptance by the mortgagee of interest for a given period of time has the effect of renewing the mortgage for that period of time. It does not, however, have the effect of renewing the mortgage for the full period of time contemplated by the original debt.

This acceptance of interest is held to be an implied contract of extension, the interest being a consideration for such extension.

Our touring department informs us that troubles are like thick traffic—there is always a way through but it is impossible to figure it out a year in advance.

New York as a Great University

IN all its yearly panorama of sights and occurrences, New York sees, perhaps, nothing finer, more thought-arousing, than that of the thousands of young men and women hastening to take advantage of the Summer School Curriculum offered by Columbia University. From all sections of the United States, frequently at much inconvenience to themselves, they come in the pursuit of the knowledge that will give them that authoritative and acknowledged standing in their chosen professions that is implied by the degree of a great university.

To the more thoughtful and ambitious young manhood and womanhood of our city, denied by circumstance the acquisition of such knowledge, even though Columbia be within a half-hour's ride of most of them, there may well be some wistfulness mingled with the admiration which the sight naturally enkindles. And yet the resident of a great city like this, by the very fact of such residence, has the opportunity to acquire a knowledge and a culture, that, if not represented by so many Roman characters, may be as mind-upbuilding and soul-enlarging as that of the best-equipped university.

First in the list of cultural agencies comes reading. Not the mere desultory browsing through newspaper or magazine that to so many, alas! represents the word. While, of course, it is necessary to keep up with the current trend of world-events through the medium of the news-column, he errs greatly, if not fatally, who permits his intellectual horizon to be bounded by the newspaper page. Even allowing for all the various departments of the modern newspaper, his knowledge, by the very nature of things, can be but a superficial smattering—a species of intellectual crazy-quilt.

Now there are few of us indeed who cannot spare, at least, one-half hour daily to our mind. Let us keep within easily reachable distance, for that half-hour, a book—one of the great immortal ones, like the Bible or Shakespeare. Never shall we find a more uplifting spirituality than that developed in the New Testament, or sublimer poetry than the Book of Job. The philosophy of Hamlet fits our day quite as admirably as it fitted Elizabethan England. No mind is so trivial that it will not acquire a definite nobility from association with the mighty Romans who made up

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the splendidly tragic pageant of Julius Caesar.

Then there are the night-schools. Apart from the upbuilding of character that must surely ensue from the discipline and self-denial essential to the acquirement of learning under such conditions, there is the material advancements in trades and professions—the progressions from trades to professions—with which each one of us, however limited his circle of acquaintanceship, is surely familiar. The joyful sense of victory achieved which must accompany such progression is surely a sentiment as laudable as natural.

A most promising feature of present-day educational methods is the stress being laid upon painting and sculpture as factors in the mental development of our people. Here we have our peoples' university lying closely and unrestrictedly at hand—The Metropolitan Art Museum. Few among us, it is to be hoped, are so benighted as to be wholly unacquainted with its treasures. The pity of it is we are so chary of our visits there. Yet beauty, color, the sublimity of mighty ideals, calls us to the great, and often lonesome, galleries. Here Raphael's spirit lives immortally; here Van Dyke and Rembrandt, Rubens and Reynolds, spread their unending enchantment; here the work of our own Whistler, and Sargent, and Abbey—to name but a few of them—lends us a nobler pride in the name of American. Here, too, are world-famous marbles and bronzes, representative of the noblest efforts of modern sculpture, native and foreign, besides invaluable casts of the Classic and Renaissance periods.

The evening lectures, the public concerts, the Peoples' Symphony Society—surely here are cultural opportunities sufficient for the upbuilding of a mighty civilized and enlightened community. If many men and women among its citizenry yet exist, their intellects darkened by the clouds of ignorance, certainly the fault does not lie with the good City of New York.

—Contributed by Eleanor Rogers Cox.

GOVERNOR WOODBRIDGE N. FERRIS, of Michigan, founder and director of Ferris Institute, who is one of the greatest business educators of the country, believes that what this age

needs in education is not knowledge, but strict moral training. In the course of an interview which appeared in the *Detroit Free Press* not long ago the Governor said, among other things:

"The modern home has obstacles to overcome which the home of fifty years ago did not have. These obstacles are of our own making; the result of too much prosperity. Too much is done for the child. You take away from him a certain inborn reliance upon himself, and in doing so, you lay the foundation for dependence of a certain kind that will last him all through life.

"There is no special virtue in poverty, but in the simple New England homes of fifty years ago there were sources of inspiration and virtue that were priceless. The boys of half a century ago had many opportunities that boys of to-day can never have. I'd like to ask you, how would the boys of to-day, with all their organizations and with all their so-called advantages, solve the problems that we, as boys, solved fifty years ago?

"This age seems to think it's dying for lack of knowledge. It's not lack of knowledge—it's lack of training that's killing off the old-time virile manhood. We provide the wherewith and the way for our children to gain knowledge, and we neither train them nor compel them to put this knowledge into action.

"I learned self-reliance in a humble New England home. I did not enjoy work any more than does any other healthy, normal boy. I hated farm work, but on that farm I learned the fine art of work, and I learned obedience. When my father said 'Come,' I came; and when he said 'Go,' I went; and I never questioned why, or suggested some other time to come or go. I did what I did because I knew I had to. I never thanked God for that training then, but I do now. I did so much work in those days that I got the habit; and ever since then every social, educational, or political system which I have been instrumental in organizing has been builded around that one word, WORK—in capitals, please.

"Then, there is the matter of obedience. Must we learn obedience and teach it only in our penal institutions? In the old days we taught obedience in the home. Has there been an increase in obedience in our homes during the last fifty years? Half a century ago we learned obedience, self-reliance,

Character Building

self-denial, and manliness in our homes. What we need to-day is more drill on the fundamentals and less along other lines. We need to be better trained in habits of honesty, sobriety, and service to our fellow-men.

"There is no short cut to character building in men and women. Always, the corner-stone must be laid in the home. Fifty years ago we all worked together, shared our joys together, and the result was a strong, honest, rugged manhood, and honest, modest womanhood. Give us back those old New England homes with their strict sense of justice, their deep reverence for things holy. They did more than the most magnificent school in the country can do in the training of a splendid citizenship."

Thomas
Cochran

THOMAS COCHRAN, formerly president of the Liberty National Bank at 120 Broadway, became, on January 1st, the ninth partner in the New York office of J. P. Morgan & Co. Mr. Cochran is forty-five years old, and is the youngest partner in the firm but one.

Born in St. Paul, Minn., and educated at Yale, where he was prominent in athletics and social affairs, Mr. Cochran has risen from the ranks without money and without influence. During his third year at college his father lost his fortune, and young Cochran worked his way through his fourth year and obtained his degree.

After graduation, he engaged successively in teaching, in the hardware commission business, and in railroad work. He came to New York seventeen years ago with no money, but filled with boundless energy. Step by step, by constant and arduous application, he worked himself up to such a position that he was one of two young men chosen by H. P. Davison to help organize the Astor Trust Co. After serving with that company for some years, he became, in 1914, the president of the Liberty National Bank. He resigned from this position on January 1st to take his present place with J. P. Morgan & Co.

Mr. Cochran's business career affords ample proof that even in these days tireless energy and ambition have their reward. He had no one to push him forward; he did not wait for the opportunity to seek him. Any young man would do well to take a lesson from Mr. Cochran's career. Training, study, and work still play the major part in insuring success.

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THE banks and large financial institutions of New York City were among the first organizations to take up, seriously, the work of educating their employees. They early saw that an entire business organization reaps the benefits of increased knowledge on the part of its members. Educational work, as instituted by banks and trust companies, has grown to almost unbelievable proportions.

Among the leaders in this work is the Guaranty Trust Company, of New York City. Its educational program has grown within the last few years until it now closely resembles a miniature school system, from the elementary work given to office boys and pages to the advanced study of finance and foreign exchange which is taken up by the employees in more responsible positions.

The *Journal of Commerce* quotes the secretary of the Guaranty Trust Company as saying: "The principle underlying our educational work is not so much the desire to foster a spirit of cooperation and loyalty among the employees, which is one of the aims, as it is to give to those who happen to be working for this institution an opportunity for the greatest development of their own abilities. Naturally, we expect that the company will obtain good results from the training, but that is not the only consideration."

The training of the men in the bond department is considered of primary importance. Most of these men are college graduates who first need specific training in the work of the bond department before they can successfully sell bonds, for most of them expect to become bond salesmen.

Other important branches of the work are the foreign language courses and the work in English. Graduates of the language courses are used in the foreign department of the company. Russian, French, Portuguese, and Spanish are also taught. The company firmly believes in the business value of a good knowledge of English. Groups of its employees are regularly enrolled in English classes. Other courses offered are commercial geography, practical banking, and investments.

The *Journal of Commerce*, speaking in a recent issue of the educa-

tional work of the Guaranty Trust Company, says: "Aside from these courses of instruction, other organizations of the company include educational and social features. On alternate weeks there are meetings of the heads of the various departments, with a twofold purpose. The first is to hear addresses from leaders in other industries, such as railroad companies, telephone, and industrial corporations, on their conception of the needs and duties of the banking institutions, and with especial reference to their own activities. The second purpose is to permit the department heads to speak frankly of any developments which might lead to friction, and thus to eliminate causes for disagreement. These meetings are usually attended by fifty or more officers. About once a month a dinner is held at the Bankers' Club."

These facts show that the Trust Company feels that education in its broadest aspect is a worth-while part of its work; that through it employers and employees are both brought to a better realization of the common end toward which both are working. In a word, education is good business and not philanthropy.

SETH H. CRELLER, formerly employed as bookkeeper for George H. Storm & Company, has accepted through the Pace Agency for Placements, Inc., the post of chief accountant for the Montague Mailing Machine Company.

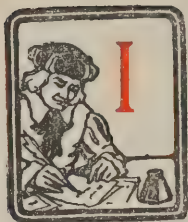
HENRY KNUST, New York Institute of Accountancy, has joined the staff of Messrs. Marwick, Mitchell, Peat & Company, 79 Wall Street, New York City.

MARTIN VAN BLARCOM, of the law faculty of Pace Institute, and who has been associated with Cass & Apfel, has opened an office for general practice of law at 1476 Broadway, Suite 501-2.

HARRY VAN BLARCOM, Pace Institute of Accountancy, has left the employ of the New York Edison Company to accept a position as bookkeeper for the Perlman Rim Corporation.

THOMAS R. LILL, Pace Institute of Accountancy, Extension Division, has entered into partnership with the firm of Searle & Nicholson, accountants. Mr. Lill was a successful candidate in the recent New Jersey C.P.A. examinations.

Educa-
tion
is
Good
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Vocational
Ultimatums

IN business, as in diplomacy, the ultimatum should be the last resort in negotiations. Many an employee, in conducting a negotiation for an increase of salary, reverses the ordinary current and delivers his ultimatum at the start. Even the employer, in dealing with the individual worker, or with a union, is often guilty of the same breach of negotiation etiquette. We are led to suggest, therefore, that there is no reason why the ordinary rule of negotiation should not apply to vocational contracts. The employee should, at the time of his periodical vocational interview with his chief, present his side of the case, with its implied hope of advancement or greater remuneration, as an argument calculated to draw forth the employer's side of the matter. The employer or superior official will then naturally present the limitations under which he works, and, in the event that an agreement is not reached, there is plenty of time left for either to resort to an ultimatum. Care must always be taken, however, on the part of the employee, if he holds a responsible or confidential position, not to create the impression of dissatisfaction that would be likely to affect his future relation with his employer. All negotiations must be conducted with this in mind, for no employer is content to go ahead with a subordinate who is known to be dissatisfied, and who is seeking a favorable opportunity to leave. In any event, reserve the ultimatum, the threat to dismiss or resign, for the last play.

Impressing
Others

A CERTAIN large bank a stone's throw away from where I write employs about sixty office boys—pages, they are called. I have had a hand in working out the educational program of the bank, and so I have come to know these pages fairly well. Out of these sixty-odd boys only five stand out plainly in my mind. I can recall the names of these five; I know what each one looks like; I think of each one favorably as a definite individual. Their fifty-five fellows, who presumably possess intelligence and latent

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Interpreting
the Purpose, Spirit, and Needs
of Modern Business*

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abilities form upon my mind only a confused blur of dark-blue uniforms.

Why? The five I speak of have taken pains—without truckling—to impress themselves upon my image-forming consciousness. They have gone out of their way to do me favors. They have shown interest in their studies. They have made it a point to talk over their examination papers with me. They have given me an abiding impression of mental alertness and capacity for development. They will not let me forget them. I have inquired about these boys of some of the officers and department heads. They feel as I do—that these young chaps are “comers.” I feel sure that, were I in charge of promotions at the bank, I should think favorably of advancing these five pages ahead of the others.

In all this there is a point for the long-headed young man to see and profit by. It pays to attract favorable attention to yourself as an individual by reason of what you do and of the intelligent way in which you do it. The history of commercial success is full of the meteoric careers of young men who first won the notice of their superiors and then deserved and secured their support. Impress yourself as an individual upon your associates and your superiors. Do it, not with a brass-band effect, but by reason of the excellence of your work and the constructive interest you plainly take in it. Observe, think, and

suggest, for mental ingenuity and originality are always at a premium. If you have developed these qualities, do not hide them under a bushel of diffidence or self-distrust. Stand forth to view, modestly but plainly.

IN getting business you have to use strategy, which the dictionary defines as “the display or exercise of skill or forethought in carrying out one's plans, schemes, etc.” Strategy in this sense is not only a legitimate weapon of commercial attack; it is a highly necessary one, and is so recognized.

Strategy is a cohesive sum total, a welded amalgam of many desirable elements. One of these elements is far-sightedness, a willingness to waive small realizations of the moment for

Strategy

the sake of larger realizations of the future. Strategy of the far-sighted kind scorns littleness in any guise whatsoever—littleness in the outlay of time, of personal interest, of money—even though from such an outlay no immediate commercial advantage may be derived.

If you are a business strategist, you will level your gaze most of the time at future prospects and profits, not at what may be realized out of hand. Viewing business-getting in this light, you will never be cheap in thought, speech, or action; in promise or in performance.

Investing in a Job **I** MEET the first one often on the ferry. He is a strapping young Irishman—twenty-five years old, he told me the other day. He is a truck driver, and a good one, judging by the way he handles his spanking pair of grays. He earns twenty-three dollars a week. He has to be out at six in the morning, and it is often nine in the evening when he beds down his horses for the night. The second one brings me my “ready dish” when I eat a hasty lunch at the Service Restaurant. He, also, is good to look upon—wide-shouldered, keen-eyed, and agile in movement; twenty is his age. He makes about eighteen dollars a week with his “tips.” His hours, too, are of the early and late variety.

Neither one of these friends of mine—for I regard them both as friends—will ever earn more than a few cents extra a week at the job he now fills. As they grow older, they will earn less—even middle-aged truck drivers and waiters are not in demand. Their work is necessary, useful, and reasonably self-respecting. Why are their economic futures so blank in promise? Because what each does, a hundred, a thousand other men, easily obtainable, could do just as well, and with little or no preparation for the job. One basic thought that should give fresh heart to every young man making sacrifices of time, pleasure, and money for the sake of future rewards is that, the more you invest in the preparation for your job, the bigger your later dividends are usually destined to be.

Dead-Wood **N**EXT door, to the rear of a large frame house which has been vacant for two years, is a small fruit orchard. In it are apple, pear, peach, and plum trees. Many branches are dead or dying; in a year or two most of the trees will be withered wood, stripped of their bark, and fit only for the fireplace. If, upon its first appearance, the dead-wood had been cut out, the trees would have gone on thriving and bearing fruit.

Many business firms grow stagnant, retro-

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grade, and finally fail, because of the accumulation of dead-wood—dead-wood in respect to number or quality of employees; dead-wood

in respect to methods of management; dead-wood in respect to goods purchased and sold; dead-wood in respect to oblivion, to waste; dead-wood in respect to failure to keep abreast of modern needs and conditions. Just as the pruning-knife would have saved the fruit trees, just so scientific inspection and pruning would have kept many firms out of the bankruptcy courts.

MODERN Business is full of hair-splitters. *Hair-splitters* There is the correspondent who argues that, as a salutation in a letter, “Dear Sirs” is better than “Gentlemen.” There is the book-keeper who, preferring red lines to black lines in a ledger, debates the matter with you for half an hour or so. There is the stenographer who waxes disputatious over whether “installment” should be spelled with one “l” or two. There is the salesman who, having theories on “the approach,” belligerently defends them against whoever feebly voices a word of dissension. There is the rule-of-thumb executive who, when once he has promulgated an office regulation, will never tolerate a violation of it, no matter how exceptional the circumstances.

Hair-splitters are these, and time-wasters. They see only small things and magnify them, while matters of big importance receive scant notice or none at all. Notice little matters, yes, but as little matters only; do not read into them a disproportionate evaluation. Don’t split hairs; it’s too expensive a pastime.

LOOK outward, not inward, all the time. *Look Outward* All about you, you will see reasons for happiness, opportunities for service, means and methods of self-development. Your little ego will lose itself in the cosmic mass, as the Creator intended; your personality will be purged of its dross. Look inward as a steady practice, and you are likely either unjustly to inflate your self-esteem, or to feed upon reflections that make you morbid and self-distrustful. In the one case, you become an insufferable egotist; in the other, a self-pitying egoist. There is little space in this busy world for either brand of unfortunates. Look outward, and keep busy.

Luck is the offspring of developed ability, not its parent.

Dignified affability is the lubricant that oils the managerial machinery.

THE Federal Reserve Board has definitely expressed itself as favoring financial statements prepared and signed by Certified Public Accountants. This attitude of the Board meets the approval also of The American Bankers' Association.

Elmer O. Stevens, C.P.A.

However, it seems that there is not a sufficient number of Certified Public Accountants to do even a small part of the work which would have to be done if all borrowers were required to furnish certified statements. Some time must necessarily elapse before this condition can be remedied.

In the absence of certified statements, many bankers, especially those doing business in the smaller cities, have not had an opportunity to give the necessary time and thought to the technical phase of this problem to enable them to instruct their customers in preparing statements that will furnish the desired information.

It is with the hope that we may be able to give helpful suggestions, not only to the banker and the business man, but to students of Accountancy and Business Administration, that we discuss in detail the work necessary to be done in the preparation of a Balance Sheet of a typical business.

James MacFarland, manufacturer of brick and drain tile, desired to borrow additional capital from his banker for the purpose of financing his business during the coming manufacturing season, and was requested to furnish an audited financial statement.

A very favorable contract which he had secured required that arrangements be made for the necessary capital to finance the increased manufacturing operations that must be planned.

We were instructed to make an audit of his books and to prepare the desired statement.

The Trial Balance, after closing the books at December 31, 1916, showed the following balances:

	Dr.	Cr.
3 Cash	\$ 3,485.60	
10 Notes Receivable	12,645.00	
14 Accounts Receivable	4,875.00	
15 Inventory of Brick and Tile..	2,368.50	
20 Inventory of Misc. Supplies and Loose Equipment	675.00	
23 Real Estate	5,250.00	
30 Buildings, Kilns, and Ma- chinery	28,460.00	
35 Horses, Mules, Wagons, and Harness	3,765.00	
40 Stripping Clay Bed	1,000.00	
46 Notes Payable		\$12,500.00
50 First Mortgage		20,000.00
56 Accounts Payable		6,870.00
58 James MacFarland, Capital..		23,154.10
	<u>\$62,524.10</u>	<u>\$62,524.10</u>

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The first step taken in this examination was to enter the accounts and amounts, as shown by the Trial Balance, upon a working sheet with

columns headed as follows:

- Account reference.
- Account classifications.
- Schedule numbers.
- Trial Balance as at December 31, 1916.
- Debits.
- Credits.
- Adjusting entries.
- Entry numbers.
- Debits.
- Credits.
- Capital adjustments.
- Debits.
- Credits.
- Adjusted balances as at December 31, 1916.
- Debits.
- Credits.

The second step was to investigate each asset and liability classification, and to make full notations regarding each upon a schedule.

In the verification of cash, a certificate of the balance on deposit at the bank at the close of business, December 31, 1916, was obtained, and the amount shown thereon was reconciled with the balance appearing in the books. The outstanding checks, paid by the bank subsequent to December 31, 1916, were obtained and compared with the cash schedule.

The Notes Receivable were examined and entered in detail on a schedule. These notes were signed by farmers and others known personally to the proprietor and to the cashier of the bank. Notes amounting to \$3,450 were past due on December 31, 1916, but were considered good. There was no interest accrued to be taken into consideration.

The Accounts Receivable were carefully reviewed with Mr. MacFarland. These accounts were for amounts due from individuals to whom brick and tile had been sold during the past season, and were considered collectible, with certain exceptions aggregating \$1,245. A list was made of these doubtful accounts with notations regarding each. It was estimated that the loss in collecting them would be about fifty per cent. (See adjusting entry No. 1.)

The Inventory of Brick and Tile was valued at selling price, less ten per cent. An examination of the operating accounts for the year 1916, as shown by the Ledger, disclosed a gross profit of forty per cent., based on sales, on all product sold during the year. (See adjusting entry No. 2.)

The Inventory of Miscellaneous Supplies and

Audited Financial Statements Loose Equipment consisted of hay, grain, and other supplies—valued at cost, \$475—and sundry loose equipment, such as shovels, wheel barrows, etc., which originally cost \$200. The latter was estimated to be good for as much service as had already been obtained from it. (See adjusting entry No. 3.)

(Continued)

The balance of the Real Estate Account represents the cost of land purchased at the price of farm land seven years previously.

No provision had been made for depreciation of Buildings, Kilns, and Machinery, although the business had been operated for nearly six years. After discussion of this question it was decided that a Reserve for Depreciation on these assets to the amount of \$8,538 should be set up. (See adjusting entry No. 4.)

An analysis of Horses, Mules, Wagons and Harness Account revealed charges for horses and mules of \$2,500, and for wagons and harness of \$1,265. The credits to this account showed that upon the loss of a horse or a mule the cost had been written off to profit and loss. The wagons and harness had been kept in good repair, but no depreciation had been provided. In the preparation of the schedules for capital assets, each item charged was listed and verified by comparison with original documents, such as contracts, deeds, invoices, paid checks, etc. (See adjusting entry No. 5.)

Stripping Clay Bed Account had been charged with the cost of removing the top layer of loam, etc., and exposing the clay bed at the time operations were begun. The life of the clay bed thus exposed was estimated to be ten years. (See adjusting entry No. 6.)

Notes Payable consisted of notes given to the bank aggregating \$5,000, on which interest had been paid to December 31, 1916; and notes for \$7,500, given to other individuals, due August 1, 1917, on which interest had accrued from August 1, 1916, at six per cent. In the verification of Notes Payable and the First Mortgage, certificates were obtained from the holders of each, and the receipt of cash or other asset value was verified. Interest at six per cent. on the First Mortgage, accrued from October 1, 1916, had not been set up in the accounts. (See adjusting entry No. 7.)

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Insurance premiums amounting to \$1,250 for three-year policies dated June 1, 1916, had been charged off. The schedule of pre-

paid insurance was prepared from the insurance policies. Separate columns were provided for policy number, name of company, amount of insurance, date of policy, expiration date, premium paid, premium prepaid on December 31, 1916, and brief description of property insured. (See adjusting entry No. 8.)

Statements from creditors were used in verification of Accounts Payable. The invoices for purchases entered in the records or received after January 1, 1917, were examined to see that all liabilities had been included. In addition, Mr. MacFarland furnished a certificate stating that all known liabilities had been included.

The adjusting entries, as shown on pp. 81, 82, were prepared during the progress of the examination, and after each one had been decided upon the amounts were carried to the working sheet. Upon the completion of the examination, the columns on the working sheet were totaled and the adjusted balances entered.

The Balance Sheet was then prepared from the figures contained in the last two columns on the working sheet.

We submit herewith, first, the entries necessary to give effect to adjustments, to which reference has been made; and, second, the Balance Sheet, with form of certificate of audit, to be submitted to the banker.

After a consideration of the Balance Sheet, the officers of the bank reluctantly decided that the financial condition as shown did not warrant them in making the desired loan. The relation of Current Assets to Current Liabilities, and the heavy mortgage liability were the chief factors leading them to this conclusion. To enable their client to secure the necessary capital, it was suggested that he incorporate his business and offer for sale shares of stock in the new company.

In our next article we shall describe the investigation of the business and its earning capacity that was necessary as a basis for incorporation, as suggested by the banker.

The adjusting entries and the Balance Sheet prepared in the present audit are as follows:

JAMES MACFARLAND

Adjusting Entries as at December 31, 1916.

1. CAPITAL ADJUSTMENTS	\$ 622.50	
To RESERVE FOR BAD DEBTS.....		\$ 622.50
Reserve for estimated loss on doubtful accounts receivable aggregating \$1,245.00, one-half of which are thought to be uncollectible.		

<i>Audited Financial State- ments</i>	2. CAPITAL ADJUSTMENTS	\$789.50		<i>Adjusting Entries</i>
	To INVENTORY OF BRICK AND TILE.....		\$789.50	
(Continued)	To reduce Inventory of Brick and Tile to cost:			
	Inventory at selling price.....	\$2,631.67		
	Less 10 per cent.	263.17		
	Book Value	\$2,368.50		
	Deduct Additional 30 per cent. of selling price	789.50		
	Cost	\$1,579.00		
	3. CAPITAL ADJUSTMENTS	100.00		
	To RESERVE FOR DEPRECIATION ON LOOSE EQUIPMENT.....		100.00	
	To depreciate Loose Equipment valued at \$200.00, one-half.			
	4. CAPITAL ADJUSTMENTS	8,538.00		
	To RESERVE FOR DEPRECIATION ON BUILDINGS, KILNS, AND MACHINERY		8,538.00	
	To write off estimated depreciation on Buildings, Kilns, and Machinery.			
	5. CAPITAL ADJUSTMENTS	632.50		
	To RESERVE FOR DEPRECIATION ON WAGONS AND HARNESS ...		632.50	
	To write off for depreciation one-half of the book value of Wagons and Harness carried at \$1,265.00.			
	6. CAPITAL ADJUSTMENTS	600.00		
	To STRIPPING CLAY BED		600.00	
	For estimated depletion.			
	7. CAPITAL ADJUSTMENTS	487.50		
	To INTEREST ACCRUED		487.50	
	For interest accrued but not entered in books.			
	8. PREPAID INSURANCE	1,006.94		
	To CAPITAL ADJUSTMENTS		1,006.94	
	For prepaid insurance premium charged off.			

THE LARGE CORPORATION'S URGENT NEED

THE YOUNG MAN'S OPPORTUNITY

Large corporations everywhere are calling for more and better executives—men whose training for Business Leadership is sound, because it is based on the fundamental principles which underlie Modern Organized Business.

So urgent is this demand for competent men that prominent business organizations are to-day taking decisive steps to train men selected from their employed force with a view to the development of additional executives.

Many of the largest corporations in America have adopted, for this purpose, the well-known Pace Standardized Courses in Accountancy, Business Administration, English, and Oral Expression.

In the Metropolitan District of New York, and in more than fifty other cities, resident evening schools give instruction in the Pace Courses. Some organizations arrange to have the instruction given to class groups of their employees in their own offices.

For details of the PACE METHODS of training men and women for executive positions in Business and for information regarding the resident evening schools teaching the Pace Courses, write to

PACE & PACE

Hudson Terminal

30 Church Street

New York City

JAMES MACFARLAND
Balance Sheet as at December 31, 1916.

ASSETS

<i>(Continued)</i> <i>Current Assets:</i>			
Cash		\$ 3,485.60	
Notes Receivable:			
Not Due	\$ 9,195.00		
Past Due	3,450.00	12,645.00	
Accounts Receivable:.....	\$ 4,875.00		
Less: Reserve for Bad Debts.....	622.50	4,252.50	
Inventories (at cost):			
Brick and Tile	\$ 1,579.00		
Hay, Grain, and Supplies	475.00	2,054.00	
Total Current Assets			\$22,437.10
<i>Capital Assets:</i>			
Real Estate		\$ 5,250.00	
Buildings, Kilns, and Machinery.....	\$28,460.00		
Less: Reserve for Depreciation.....	8,538.00	19,922.00	
Horses and Mules		2,500.00	
Wagons and Harness	\$ 1,265.00		
Less: Reserve for Depreciation.....	632.50	632.50	
Loose Equipment	\$ 200.00		
Less: Reserve for Depreciation.....	100.00	100.00	
Total Capital Assets			28,404.50
<i>Deferred Charges:</i>			
Prepaid Insurance		\$ 1,006.94	
Stripping Clay Bed		400.00	
Total Deferred Charges			1,406.94
			<u>\$52,248.54</u>

LIABILITIES AND CAPITAL

<i>Current Liabilities:</i>			
Notes Payable—Banker's Loan	\$ 5,000.00		
Notes Payable—Others	7,500.00	\$12,500.00	
Accounts Payable		6,870.00	
Interest Accrued		487.50	
Total Current Liabilities			\$19,857.50
<i>Capital Liability:</i>			
First Mortgage (6 per cent.)			20,000.00
Total Liabilities			\$39,857.50
James MacFarland, Capital.....			12,391.04
			<u>\$52,248.54</u>

THIS CERTIFIES, That the above Balance Sheet of James MacFarland is, in my opinion, a true statement of his Assets, Liabilities, and Capital, as at the close of business, December 31, 1916.

Certified Public Accountant.



MASTERY of English means, among other things, mastery of the idioms of English. Every language contains many turns of phrase which are peculiar to it, and which reflect the

view-points of the people using that language. Such turns of phrase are called idioms. They are often ungrammatical and usually untranslatable.

The main difference between idioms and such undesirable expressions as vulgarisms, localisms, and slang, consists in the fact that idioms, regardless of their origin or derivation, are used by the best writers and speakers. In point of fact, many expressions regarded nowadays as desirable idioms were once tabooed inelegancies of speech.

At the present time, many expressions of doubtful elegance are slowly but steadily gaining in favor among those who express their thoughts with precision and felicity. *It's up to*, to denote obligation, is an example. Ultra-precisionists may argue that this expression is slang, and that it is an unnecessary addition to our language, for the reason that we already have in good verbal standing such words and expressions as *must*, *should*, *it behooves*, and *it is incumbent upon*. It is clear, though, that these expressions do not connote the idea of obligation with the same piety and vigor as are suggested by *it's up to*. In other words, there seems to be a real demand, a semblance of need, for this turn of phrase; accordingly, judging from the present signs, it will probably become in due time a thoroughly respectable idiom.

One way to acquire a goodly stock of idioms is to read the works of the best writers and speakers, noting the expressions that seem pat and somewhat out of the ordinary. Then, of course, the thing to do is to use these expressions, these idioms—for such they are likely to be—in sentences of one's own construction, uttered aloud. The intensive study of authoritative lists of idioms also has a great value.

In the following sentences the idioms are italicized:

Mr. Smith is evidently *paying his addresses* to Miss Brown.

The office boy *made bold* to ask

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the manager for a day off.

The defaulter will eventually be caught and *brought to book*.

The company at the *eleventh hour* granted the demands of the workmen.

When the boy heard the bad news, his *countenance fell*.

The horseman *drew rein* at the fork in the roads.

One can *see with half an eye* that the business will fail if these lax accounting methods continue.

Our firm has *set its face against* the purchase of stocks for speculative purposes.

Lieutenant Black's promotion to a captaincy is a *feather in his cap*.

It *pays in the long run* to have lived a continent life.

The bulldog *made as if* to attack the tramp.

This magazine is *far and away* the most interesting I have read this month.

The young spendthrift has been *playing fast and loose* with his inheritance altogether too long.

I *have grounds for* suspecting the authenticity of the report.

Many persons believe that this charge against the firm was *trumped up* by their competitors.

Having stopped to sniff the air, the stag *took to his heels* again and bounded away over the crest of a hill.

Time out of mind, idleness has caused misery.

Take time by the forelock, and do not wait until old age before you begin to save money.

If you join the club, you will find it a good place in which to *take your ease*.

On my trip to Bermuda, I became so seasick that I was *put out of all conceit* with the world.

The horse *held to its gait* despite all we could do to make it increase its pace.

The senior partner *turned a deaf ear* to the suggestion of his associates.

Concentrate his mind as he would, the accountant found it impossible to *take up the thread* of his analysis.

The advantages of possessing a vocabulary well stocked with idioms are self-evident. The idiomatic writer or speaker is the one whose words carry weight, not only because of what he says, but be-

cause of the manner in which he says it. A study of idioms is therefore advised for all who think it worth while to master English for business, professional, or social purposes.

J. A. CLARK, Pace Institute of Boston, was one of the nine applicants who were successful in passing the examination for the degree of Certified Public Accountant in Massachusetts, October, 1916.

A. MINTS, JR., Brooklyn Institute of Accountancy, has joined the staff of Clarke, Oakes, Trisman & Clarke, Accountants. Mr. Mints was formerly employed in the Accounting Department of the New York Railways Company.

THE fact that an increasing number of college men are being won from professional pursuits by the allurements of business and industry, was stated by Ernest Martin Hopkins, in a speech which marked his installation as the eleventh president of Dartmouth College.

"In training for leadership, the influence of the college in years past, unconsciously perhaps, has been to set college men apart in the communities in which they lived," said Mr. Hopkins.

"The requirement now is emphatically the reverse. The change has been wrought very quickly, and the men now going into the professions from our colleges are far outnumbered by those seeking the newer career.

"We have as a people specialized so completely in recent years on claiming rights that our senses of obligation and responsibility have become atrophied. Authority has been weakened, not only in State and Church but in home and school, until it commands less respect even than obedience. Amid all this, somehow, the conviction has begun to grow that dilettante philosophizing about rights and claims to opportunities which have not been earned offer too little compensation to constructive accomplishment for what society is called upon to sacrifice in the character of the individuals who compose it, through their being so little called upon to acknowledge any authority of any kind whatsoever.

"Development of our national life has been shown to be far short of the standard to which it was supposed to have attained, and in many of our attributes we have been proved more a group of people than a nation."

College
In-
fluence

Leon O.
Fisher,
C.P.A.

(Continued)

point. Aside from training, however, there is always the personal equation to be weighed and appraised. Here, too, Mr. Fisher, when tried, is not found wanting.

The key to much of his success lies in his broad humanitarianism, referred to at the beginning of this sketch, and further supported by the following quotation from one of his published articles:

"Finally, I would say that the real secret of office efficiency lies in the human factor—the right man or woman in the right place. The first selection must be made intelligently. We cannot make silk purses out of sows' ears; and the standard first established must be maintained; this means proper methods for the development of the fit and the discovery of the unfit; and not least important, there must be a continuous process of elimination of the unfit. The supervision must be right; the administration just."

WILLIAM H. BRISTER, Pace Institute of Accountancy, Extension Division, who formerly resided in Niagara Falls, N. Y., has recently been elected secretary and director of the Roy L. Brower Company, New York City.

WILLIAM R. LITTLE, Washington School of Accountancy, formerly in the service of Post-office Department, has taken up his residence in New York City to engage in the practice of public accounting on the staff of Haskins & Sells.

LOUIS C. EITZEN, Pace Institute of Accountancy, who for several years has been sales executive for the Standard Underground Cable Company, has recently been appointed general manager of the August Mietz Engine Works, New York City.

JAMES P. O'BRIEN, New York Institute of Accountancy, who was formerly chief clerk for the Commerce Trust Company of New Jersey, has entered the practice of public accounting on the staff of Perrine & Nichols.

P. A. ECKES, C.P.A., and **W. N. DEAN, C.P.A.**, of 141 Broadway, New York City, announce the retirement of Richard Fitzgerald, C.P.A., from the firm of Eckes, Fitzgerald & Dean, to accept the office of comptroller with the Marden, Orth & Hastings Company. The general practice of public accounting heretofore conducted by Eckes,

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Fitzgerald & Dean will be continued by the new firm of Eckes & Dean, who will still have associated with them Philip J. Warner, C.P.A.

CHARLES J. SISMILICH, Pace Institute of Accountancy, has recently entered the employ of the Alfred M. Brown Company.

WALTER E. CHAPMAN, Pace Institute, formerly auditor of the General Motors Export Company, has been made comptroller of that Company.

J. PURDON WRIGHT, of Johnson, Milliken & Wright, an instructor in The Pace Institute of Baltimore, was a recent visitor at the Pace administrative offices.

JOHN B. TANNER and **STEPHEN GILMAN**, Certified Public Accountants, announce the location of the Tanner-Gilman Company as 624 Michigan Avenue, South, Chicago.

ARTHUR HABER, Pace Institute of Accountancy, formerly employed in the Surveyor's Department, U. S. Custom House, New York City, has accepted a position in the accounting department of the Tide Water Oil Company at Bayonne.

ARTHUR H. STOVER, Brooklyn Institute of Accountancy, has recently severed connections with the American International Corporation to accept a position on the staff of Frederick H. Hurdman, Certified Public Accountant, 55 Liberty Street, New York City.

HARRY S. VAN CAMP, formerly commercial accountant for the American Brakeshoe Company, has accepted, through the Pace Agency for Placements, Inc., the post of assistant auditor of the Triangle Distributing Company.

ERIK J. CARLSON, New York Institute of Accountancy, formerly employed by the Royal Insurance Company, has accepted the position of accountant with the A. H. Bull Steamship Company.

NATHANIEL MILLER, Pace Institute of Accountancy, Extension Division, has entered the employ of H. Schreier as junior accountant. Mr. Miller was formerly employed by the Brokers' Bank Note Company, Springfield, Mass.

young man who wrote the letter. "No," my good friend replied, "In my case this young man must pay the penalty of his offensive letter. I have letters from other young men who evidence more ability to represent our firm in its relations with clients."

Don't
Do It

(Continued)

CHARLES S. COOK, Ansonia, Conn., Pace Institute, Extension Division, 1916, has received his degree as a Certified Public Accountant from the State Board of Accountancy in Connecticut.

ARTHUR R. HANSON, Pace Institute of Accountancy, has recently joined the staff of Whittlesey, Myer & Wythes, Accountants. Mr. Hanson was formerly engaged by Harris, Allan & Company.

ARTHUR S. FIGUEROA, Pace Institute of Accountancy, has severed his connection as staff member of S. D. Leidesdorf & Company to accept the position of accountant for the L. Wertheimer Department Stores.

CARL T. HATCH, Pace Institute of Accountancy, has severed his connection with the Tidewater Portland Cement Company to accept a position as accountant with Marden, Orth & Hastings Company.

WALTER E. PAUL, Washington School of Accountancy, has accepted a position on the staff of Whittlesey, Myer & Wythes, Accountants. Mr. Paul was formerly employed in the Post-office Department, Washington, D. C.

F. W. KEOUGH, Head of the Publicity Department and Managing Editor of the various publications of The National Association of Manufacturers, was a recent visitor at the Pace administration offices.

STUDENTS of Trenton, New Jersey, pursuing the residential Pace Courses in Accountancy under the supervision of the Rider-Moore & Stewart Schools of Business, recently gave a banquet and formed a permanent organization.

The officers elected were: President, W. J. Mitchell; secretary, C. J. Miller; treasurer, M. Joseph Ryan.

John E. Gill, former president of the Chamber of Commerce and a member of the faculty, was the toastmaster. F. C. Brofee, C.P.A., Walter D. Cogle, of the local bar, F. B. Moore, president of the Rider-Moore & Stewart Schools, and John R. Somerfeldt were the principal speakers.

**Democ-
racy
in
Business**

THE great power of democracy is well known. It has demonstrated its strength in the government of nations and of institutions; it has driven the tyrant from his throne and has destroyed the curse of oppression. It is a propagator of enthusiasm and mutual esteem, and unites the high and the low in the bonds of our common humanity.

Democracy's power should be felt in Business, especially in view of the enormous development of commercial life within the past generation. If, for instance, a clerk is made to realize that he and his chief are working together to secure a common result, and that the correct performance of the former's tasks bears an important relation to the work of the organization as a whole, the subordinate's interest will be quickened, and an enthusiasm will be engendered that will show itself in happy satisfaction and more efficient work.

One of our greatest problems is the dissemination of contentment throughout the personnel of industrial organizations. A democratic spirit on the part of officials toward their subordinates can do much to remedy this condition. A superior who is willing to roll up his sleeves and help a subordinate in an emergency to achieve a common object can instill an enthusiasm and a pleasure into the latter without impairing in any way the dignity of his position. It follows, therefore, that the most democratic business organization should be the most successful.

Some of the great corporations of the country have realized this great truth and are acting accordingly. Classes of instruction are held regularly with a view to a more detailed understanding by employees of the workings of modern business; and societies that bring together staff members for social intercourse are encouraged. This movement is extremely significant; it points to an increase in the spirit of democracy in business and to consequent contentment, efficiency, and prosperity for the individual and for the organization.—*Contributed by W. H. Hirschmann, Pace Institute, 1916.*

**Capital-
izing
Educa-
tion**

MANY authoritative voices are constantly being lifted up in support of the proposition that the way to exceptional success in Business is by means of the fruitful use of one's personal overtime. One of them is that of

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S. F. Loree, Esq., president of the Delaware and Hudson Railroad, who only a short time ago said to the students of Rutgers College:

"Advancement in the field of Business depends upon the willingness to devote four to six hours additional each day in self-training. It is common observation that the training of the nursery and of the educational curriculum absorbs the first twenty-two years of life. The mere winning of bread can then be had in eight or ten hours of daily labor.

"Roughly, twenty-two years are required to master the technique, the detail, and the sweep of a business enterprise. No one, aside from those possessing genius or unusual talent, should expect to win in this field of endeavor to the goal of his heart's desire at an age much younger than forty-five years.

"It is to the modern organization of industry that we owe the superiority of present material conditions over those of the past.

"The value of educational training is very significant. An investigation made some years ago, and in terms of the wage scale of that

date, indicated that a boy having a common education, beginning work at sixteen, reached his maximum earning capacity at twenty-five.

"If to the common school education he added the training of an apprentice of three years, he substantially increased his earning powers and continued his advancement to thirty-four years.

"It indicated that the higher fields of activity were open only to those educated at the technical schools, colleges, and universities, or who, using such resources as were at their command, of which fortunately there are many, acquired a similar training; and, finally, it indicated that the minimum capitalized value of such an education over that of the common school is \$28,000."

PHEONIX S. FRANKS, Pace Institute, Extension Division, has recently accepted a position on the staff of Messrs. Marwick, Mitchell, Peat & Company, 79 Wall Street, New York City.

MEREDITH E. VAIDEN, Pace Institute, Extension Division, has severed his connection with The Gould Cooperage & Lumber Company, to accept a position in the office of The Gould Mercantile Company, Gould, Arkansas.

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IN a recent issue the *Saturday Evening Post* has this to say in reference to city accounting:

"The Census Bureau has spent a good deal of effort in devising a model, uniform system of accounting for cities. The value of a uniform system is as clear in this case as it was in the case of the railroads, when the Interstate Commerce Commission required all of them to keep their books in the same form; for it is only by comparison that a layman can draw any intelligent deductions from the fiscal statement of a city or a railroad. He does not know whether a given bit of work ought to cost one thousand dollars or two thousand. But if its cost is stated in exactly the same way year after year, and in the same way for his city and other cities that are conditioned tioned about like his, he can form an opinion.

"But uniformity in city accounting is the rare exception. A good many cities keep antiquated books, which do little more than record the income and outgo of cash. Among those that have adopted up-to-date revenue and expense accounts, there are wide differences in classifying the items; so the Census Bureau, to compile comparable statements, has to have its agents go over the original data of vouchers, and so on, and practically construct a new fiscal statement. Of course, hardly any two cities receive and expend revenue in just the same way, but certain broad classifications might apply to all of them.

"City bookkeeping, on the whole, is no doubt better than it used to be. Various cities present fiscal statements of whose intelligibility they are justly proud. But there should be the greatest possible uniformity."

THE *New York Tribune* in its editorial columns recently said: "It is reported that the teachers of English now assembled in council here are unable to come to an agreement upon the standard of American speech. Some hold that uniformity should be the constant aim of nations claiming a common heritage in language and letters, while others conceive that a gradual departure is not only desirable, as the several communities acquire distinct characters and requirements, but in practice so necessary and unavoidable that it is high time for us to recognize and boldly to cultivate the American language as

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a thing apart from the English of England."

There seems to be no immediate prospect, however, of any such movement gaining much headway. Educated people on both sides of the Atlantic speak the same language except possibly for peculiarities of enunciation and accent which, by the way, are as definitely marked in different sections of the United Kingdom as they are in the United States. As the *Tribune* goes on to say, "Slight local variations are not sufficient to establish standards." We might as well argue for a separate language in the southern part of our own country where the speech contains many idioms comparatively unknown to the man from the North or the West, as to favor an English and an American language. They are both from the same language stock, and except for variations of slang and idiom are identical.

Some Englishmen of the present day profess to look with contempt upon all "Americanisms" as foreign expressions not worthy of admission to the "real" English language. "While dealing with the question in the gently exalted manner that Englishmen occasionally affect, they admit that since the parting which began some hundreds of years ago America has sometimes had the better of England; yet they are for the jealous exclusion of all American words and phrases from the language that Englishmen call English. 'The English and the American language are both good things,' they say, 'but they are better apart than mixed.'" In spite of this theorizing on the part of certain Englishmen, all signs at the present time point toward a fusion of the two languages, if such they may be called. American slang will still continue to be American slang and not English, and the same may be said of English colloquial expressions, but the great body of English-speaking people will accept one standard, and distinct language will not materialize.—Contributed by G. M. Lattimer.

THE reader who has not yet adjusted his perspective in reference to the need of cooperative effort in Modern Business is urged to read an article contributed recently to *The General Electric*

Review by E. W. Rice, Jr., president of the General Electric Company. An illuminating excerpt from this article follows:

"The day of the extreme individualist is past. The problems pressing for solution are so great that no single manufacturer, no matter how powerful, or group of manufacturers, no matter how numerous, is able to stand alone to the exclusion of other manufacturers. The time has come when cooperation in the broadest sense is essential to the maintenance of our industrial prosperity. All men and women engaged in industry, from the president and executive officers down to the humblest wage earner, must be brought into truly effective cooperative relationship. There is, to-day, a serious lack of mutual understanding between the manufacturer and the wage earner, and while considerable progress has been made in bringing about more harmonious relations, the situation leaves much to be desired. This lack of understanding and confidence is largely due to a lack of knowledge of each other."

THE state of Indiana has recently undertaken a vocational survey, which in plan and extent far surpasses any other effort in this direction. The survey aims to cover the entire field of vocational and industrial education. Educators of the state are, however, divided in opinion as to the value of such a radical form of education as the survey seems to favor. Indiana has a law which makes vocational instruction compulsory throughout the state. It is over this law that a great deal of discussion has arisen.

One of the greatest objections to the vocational program, as it is at present carried out, is that the unskilled laborer who needs instruction the most is practically unable to avail himself of the opportunities offered in day-time schools. Educational adjustment is necessary, whereby the advantages offered to day students will be offered even more generally to those who find it necessary to attend in the evening. Little by little this fact will necessitate a reconstruction of our present educational program. Unskilled workers ask this question: "What good is Industrial Education going to do for us?" Until we have found an answer to it, vocational training will be merely a makeshift; it will not meet the needs of those whose needs are greatest.

Aesop in Business — Philip

THERE was once a young man of Opinions named Philip. He had been suddenly lifted into a minor Executive Position in an up-to-date concern by means of Influence. He was very Young and very Sapiient.

He felt that his Experience in Business Entitled him to be considered a Sage. He developed an acute case of Cranial Overgrowth.

Philip had heard much about Advancement in Business through Merit and Self-effort. He pronounced such Propaganda "all Bunk." His Opinion was that Luck and Pull counted.

He cited Instances of Big Men who "had got in right" in their Youth. He was Forensic with his Opinions. An Audience had no Terrors for him.

During his off hours, Philip concentrated on Three Carrom Billiards and the Latest Steps in Dancing. He also affected a Nonchalant Posture on street corners. He felt only Superior Pity for his Acquaintances who studied nights. He called them "Boobs."

Philip applied his Opinion of the Conservation of Effort to his Job. He thought it Foolish to wear out his Brain from Thinking. He believed in letting events Take Their Course. He considered "Making Mistakes" part of the Day's Work.

The General Manager had a Pa-

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ternal conversation with Philip. He pointed out the Pitfalls that young men fall into in Business. He also recommended remedies to reduce Tumidity of the Skull.

After the Treatment, Philip was secretly watched from Afar. He made no Effort to take Profit from his Admonitions. He had been left to Cool, and he Hardened too much. He now proclaimed the additional Opinion that the Boss "had it in" for him. He added that he had "no show." He short-circuited the Managerial Wires.

The Organization Postman brought Philip the Blue Envelope by Special Delivery. In it was the Laconic Announcement that his Services and his Opinions had Outlived their Value to the Firm.

Moral: Ignorance and a Big Head cannot Ride Far on the Back of Influence.

JAMES A. FARRELL, president of the United States Steel Corporation, began life as a common laborer in a wire-mill. Though working twelve hours a day, he still found time to devote his evenings to study. In a short time he be-

came a mechanic, and before he was twenty was made foreman in charge of 300 men.

Mr. Farrell started as a boy to develop his memory. To-day he is admitted to have the best memory of all business men in the country. Nothing but initiative and hard and constant application brought it to this point.

In the field of foreign trade, Mr. Farrell made a great reputation. Long before the average American realized the need for foreign outlets for our goods, he was building up a foreign market for American steel products. The amount of business done reached the astounding total of \$100,000,000 a year.

Hundreds of workers in the steel mills are known to Mr. Farrell. He is in very close touch with the men, and delights, especially, in recognizing among his present employees men who were once coworkers of his.

The career of the president of the world's largest corporation should serve as a splendid inspiration to the young man of to-day. He was not afraid of hard work, but more than that, he realized that to succeed he must study. Close application to his work was not sufficient; he had to learn something besides. No, my friends, the way up is not yet closed.

James A. Farrell

Judging from the Past

Every year the demand for copies of The Annual Review of The Annalist, issued the first week in January, exceeds the supply and the edition is quickly exhausted.

The Annual Review of The Annalist contains the most complete and exhaustive summaries of business and industrial development to be found in any publication.

Forecasts of the commercial prospects for the coming year occupy an important place

Tabular and Statistical data gathered together in reviews form a treasury from which the man who is interested in the commercial development of the United States can draw without stint.

To anticipate the demand for The Annual Review and to place these facts within reach of all, we will send the next six issues of The Annalist, including The Annual Review, to any address, postpaid, on receipt of 50 cents, money or stamps.

The Annalist

The Journal of Finance, Commerce, and Economics

TIMES SQUARE

NEW YORK

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No. 6



PATRIOTISM! This word of ever-freshened beauty to-day is bestirring the national mind, heart, and soul, with a quickened urge for the unified defense of home, country, and human rights. Differences of outlook and polity have been dispelled by the stern coalescence of events. The national consciousness has been purged of its dross. The United States of America—our country, your country—stands forth, in the arrested gaze of a war-torn world, a welded unit in view-point, purpose, and dauntlessness of spirit.

Patriotism! Renew its definition! It means abiding love for our country—the dwelling-place of freedom, brotherhood, and equality for all. It means willingness to aid and succor her by the performance, not only of the spectacular task, but also of the lowly duty, so long as its doing be for the national weal. It means devotion and unswerving loyalty to her cherished institutions—governmental and social. It means eagerness to fight for their perpetuity with brain and brawn, and even to die in their defense if need there be.

Patriotism! This is the message of The Pace Student to you, student readers and loyal friends, in our beloved country's hour of anxiety and threatened peril. It is a message of coöperative service and sacrifice on the part of us all—students, instructors, and executives—for the stout-hearted protection of our priceless right to be, in thought, speech, and action, American citizens.

*The
Spirit
of '17*

BATTLES are no longer won by strength of arm. Military tactics during the past two or three hundred years have undergone a great change. Even individual ability to point a gun is not so important to-day as it was a century ago.

This change in conditions has brought about not only a change in guns and armament, but also a vastly different type of leader from the one who commanded the armies of two centuries ago. To-day a man is not made a general because of the number of foemen he has vanquished in personal combat. He is chosen for his ability to direct; he must be able to think in thousands of men, and hundreds of miles of battle-front. Above everything else, the leader of to-day must have the ability to put his ideas into force. He must be the highest type of business executive.

When a tactician's lore tells him that a unit is wanted a thousand miles away, he must be able to send it there at once. When word comes that supplies are needed, he must have a knowledge broad enough to determine the way to send them most advantageously. He must understand not only transportation, but also the values of materials and the best ways in which to use them. He must be able to surround himself with staff officers who are specialists in one or other of the various spheres touched by military science.

After all, what does it avail if every man in a brigade is a crack shot, if the brigade cannot be moved forward to the firing-line when it is needed? Who cares how much ammunition is at the supply base when the field guns are lost because the ammunition at the emplacements ran out?

The leader who is not a business executive, trained in the handling of men and materials and skilled in the use of modern methods of communication and transportation, has no place in the modern military organization. No amount of military strategy will save him from disaster. All the weight of numbers, and wealth of equipment, available in a great nation will not win victory for this leader.

The spirit of '76 called for skill and personal

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courage in the individual soldier. The spirit of '17 calls for a smoothly working machine that can obey the orders of a group of keen-sighted, clear-headed, business men. The spirit of to-day is the same as that of a hundred years ago; it differs only in its manifestations.

IN times of peace we look upon war with horror, and wonder how the belligerent nations can stand the awful mental strain, the terrible slaughter, and the hunger, famine, and starvation that devastate their homes. Our feeling, as a great community at peace, is that we could never endure privations such as the distressed people across the sea are suffering.

When President Wilson threatened to sever diplomatic relations with the German Empire after the sinking of the *Sussex*, we experienced a thrill. When our country actually broke off diplomatic relations with Germany after the occurrence of the "overt act," our pulses beat faster. And when a state of war was declared by Congress, the air seemed to vibrate with suppressed excitement. All these thrills were in the nature of gradual steps leading to the final climax—war!

Now that a state of war is here, however, we do not seem to be afflicted with the mental prostration that we imagined would exist. We go about our business and

wear flags on our coats; but the fact that we are in a state of war does not cause the awful feeling we thought it would when peace reigned throughout the land.

The reason is that we are adaptable. We make the best of circumstances; and when the time of trial comes, we are ready to meet it. Adaptability is a blessing to mankind; without it life would not be worth living. The thought of the trenches fills us with horror, yet we are now ready to enter them for the sake of our country's honor. Such is the power of adaptability.

The patriotic citizen, then, need not fear for the Republic. We have brain, brawn, and courage, and the trumpet call of battle will find us at the crucial time mentally and physically alert for the defense of our homes, our country, and our flag.

*National
Adapt-
ability*

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Right of way is given in this month's issue to Our Country's affairs—the modest contribution of the Pace Staff to military preparation. The regular lay-out and style will be resumed in the June issue.

PACE & PACE, Publishers

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New York

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IN a great many respects the United States is fortunate in entering the war at this time. She is in a position to learn much from the bitter experiences of France and England. I speak of these two countries in particular, since their form of government is much like our own, and since our problems have much in common.

One great fault of Democracy is its unwieldiness. It takes a country like England or the United States a long time to move, while an Autocracy, from the very nature of its centralized authority, can act quickly. The decision in an important matter usually rests with one man, or at the most, with a small group of individuals, often largely dominated by one personality. The result is easy to see. Democracy blunders along, makes mistakes and rectifies them, but in the end achieves success because it has the will of the people behind it.

There is no need for the United States to go through this process, which is inefficient and in some respects almost criminal, because it entails so great a loss of human life and causes so much suffering on the part of innocent people.

When the war broke out, both France and England sent every available man to the front. Those in authority seemed to feel that if there were only enough men in the trenches, the war could be won. Soon, however, some of the men were sent back to do, far behind the firing-line, that for which their technical training had equipped them. France and England found that the skill of the highly trained business executive, the accountant, the organizer, in fact, of the expert in any line, was being well-nigh wasted in the trenches. The positions of these men there could be filled, but their place as experts to direct and organize would perforce remain empty.

The United States should realize full well the value of the right sort of mobilization. It should understand that there are many duties for its people to perform. These duties call all men to service, but do not, and should not, lead all to the trenches. France and England have worked hard to find the best place for every man, and their vigorous prosecution of the war is but a logical result.

Modern mobilization, which is nothing but the assigning of every man to the task he is best fitted to perform, is literally a stupendous undertaking, but one that is absolutely necessary to the successful prosecution of present-day warfare. By this plan, human life, which is the vital factor in any war, will be greatly conserved, and the people will feel that not a single effort which they make will be wasted.

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THE accountant's field is broad. He is not always hived up in a musty old office poring over deb-

The
Account-
ant of
To-day

its and credits. To-day, in the midst of the unprecedented military activity in this and other countries, he plays a part second to none—not even to the man in the front-line trench.

The world has been astonished at the speed with which England has built up her vast military machinery. The wonder is not so much that she has been able to send to the front literally millions of men, as that she has fed them, clothed them, and furnished them with ammunition and supplies. This does not take military knowledge or intuition, but simply the type of mind that in peace directs great industries. In all this work the accountant is a dominant factor. The British Government has so far recognized this fact that it has knighted two of England's leading accountants solely for the part they have played in the great war.

Brand Whitlock could never have rendered his great service to the Belgian people without his corps of trained accountants. Relief work on the scale carried on there would, unless properly directed, have been utterly powerless. After Mr. Whitlock quitted Belgium, he left behind him Assistant-director Prentiss Grey and three accountants to get the work in such shape that it could be turned over to their Spanish and Dutch successors.

In the present crisis, then, we can think of the accountant as the man behind every great movement, whether military or civil. He directs relief, he supplies armies, he systematizes a country's resources. He is the one who aids in transmitting into concrete form the wish in the mind of a man or a nation.

FOR the privilege of social and international intercourse, there is the price of restriction and limitation. So that all may have, each must give. No nation has been more consistent in fulfilling the obligations of international law than has America. America has done this because Americans recognize the distinction between license and liberty. Our people are trained to the truth that unbridled license, exercised by the few, encroaches upon the just rights of all mankind. Is it surprising that a nation unschooled in this fundamental truth should demand all the benefits without assuming the burdens of international comity? Democracy is the forerunner of an effective code of international law. Democratic nations must protect themselves against the usurpation of autocracy. Hence, the issue between autocracy and democracy.

The
Price
of
Privilege

THE Army is perhaps the largest and most complex of all the business organizations in the United States. At the present time it has about two hundred and sixty thousand men on its pay-roll. It is doing business in all parts of the United States, Alaska, Hawaii, the Philippines, and the Canal Zone. Not only that, but business is expanding to such an extent that branch offices will be opened in the former Danish West Indies, and perhaps even in Europe. This means, incidentally, that the pay-roll will probably be increased by half a million men in the near future.

Naturally, such a large business must be very carefully organized. The man at the head, its president, is also President of the United States of America. His general manager, the Secretary of War, is also a member of the Cabinet of the United States. It is through this man that the War Department is directed in its great work.

Closely associated with the Secretary are the heads of the various departments. The work is so broad that a general staff is necessary, made up of the Chief of Staff, and the chiefs of the Infantry, Cavalry, Artillery, Ordnance, Quartermaster, and other departments, assisted in their deliberations by a large body of laboratory experts, known as the War College Staff.

These men, however, have nothing to do with the actual publishing of orders. This is accomplished through a special department, that of the Adjutant General. As the General Staff, on the basis of the research work of the War College, makes recommendations, they are transmitted to the Secretary of War. He then takes them up with the President, to determine whether or not they are in accord with the policy of the organization. If he passes them, and they entail any financial provisions, they are then submitted to the Board of Directors, or Congress of the United States, for approval, with the request that Congress vote the necessary funds.

As the new rulings affecting the military are made, the Adjutant-general's Department passes them down to all smaller units of the organization, so that all may know the desire of the leaders.

Practically all the departments are headed up alike. Of course, the Departmental Staff Manager is supreme in his own particular branch. Under him come major generals and brigadier generals, who administer units of eighteen thousand and five thousand men respectively. A brigadier general of infantry, taking him as a type, is assisted by three colonels, with their own

special assistants, or lieutenant colonels. These men divide the brigade between them, each group commanding a regiment of about seventeen hundred men.

The regiment is again divided into three battalions, each in charge of a superintendent, or major. Each major has assigned to him three foremen, or captains, each with two assistant foremen, or lieutenants. Below them, working right along with the men, are the "straw bosses," or sergeants and corporals. It might be mentioned that it is usual for a corporal to have charge of seven men; the eight, taken as a group, being known as a squad.

This, then, is the organization of the personnel under normal conditions. Of course, there are always men out on special work. For instance, promotion work is taken care of by men on recruiting duty, who aim to interest others in the future that an army career opens up to a man.

What is the object of gathering together this great army of workers? They are for insurance purposes. They constitute an insurance of the Nation against invasion, just as a lock on the front door is an insurance against loss by burglary, or as an extinguisher is an insurance against loss by fire. They guarantee, to us and to posterity, the honor and integrity of this, our Homeland.

SPARE time exists even in the life of the soldier. Requests for reading matter are continuous from the several battle-fronts. Absence of diverting amusements of other kinds naturally centers the attention of the soldier upon books, periodicals, magazines, etc.

Many men in the Army, the Navy, and the Marine Corps, are to be credited with wise use of the spare time at their disposal. Not a few of these men take educational courses by correspondence. Their work receives the encouragement of those in charge of the various departments.

Men in the service, as elsewhere, find the problem one of time organization. Recruits first entering the service, and passing through the training stage, are temporarily handicapped by the changes in their methods of living. Nevertheless, even in the early stages of service, odd hours may be profitably used.

Ambitious men need not come to a dead stop in their work of self-improvement. There is opportunity, and ample opportunity, to continue their studies. Moreover, after the initial period of training has expired, they will encounter fewer diversions to take them from their work than is ordinarily the case in civil pursuits.

PAY is a secondary consideration to the man who offers his services to his country. Nevertheless, it is an important consideration. Liberality should mark the pay relationship between the soldier and the Government.

Most people think of a soldier as a person earning fifteen dollars a month. As a matter of fact, the average pay of our enlisted forces substantially exceeds this amount. The base pay of the men in the United States Army ranges all the way from fifteen dollars to ninety-nine dollars a month. This includes only enlisted grades. If the man shows exceptional qualities, he may be promoted to the warrant officer grade, in which event his compensation would range from \$1,125 to \$2,500 per annum. Moreover, larger opportunities are accorded the enlisted personnel to rise to commissioned officers in these days than ever before. The figures given are approximately the same in the Navy. Thus, both in the military and naval service many men receive better pay than the average citizen might suppose, particularly when it is considered that they receive, in addition, a comfortable living.

It must not be supposed that the men are overpaid. As a matter of fact, in all ranks and grades are men of ability, who probably would have earned more in civil life. In this respect the Government has a peculiar advantage. There are men in its military, its naval, its scientific, and other branches, who, by reason of their liking for that work, are willing to accept lower compensation than their ability would command in the commercial world.

Whatever criticism may be advanced against the methods of pay in the service, it cannot be disputed that, all facts considered, merit determines advancement. This is not only true as to ranks and ratings, but likewise as to several additions to pay of an individual character.

In industry we have class pay characterized by a given day or week rate to classes of workers. We also have individual pay, such as is the case with the more modern bonus and piece systems. A combination of these is found in the military and naval service.

Class pay in itself has many variations. For instance, in the Army there are eleven gradations of pay on the basis of various ranks, in the Marine Corps there are nine, and in the Navy there are even more. Consequently, capacity is capable of many gradations. Promotion

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from one grade to another is mostly a matter of merit.

Aside from these several gradations of class pay, there are approximately nineteen kinds of individual pay in each branch of the service. These divide into two kinds: the first kind including extra pay for various assignments, and the second kind including extra pay for proficiency shown in some phase of service work. The special assignment pay varies from one dollar to fifteen dollars a month additional to regular pay. This includes mess stewards, mess sergeants, mess men, electricians, mechanics, artisans, school teachers, teamsters, etc. Pay for military proficiency includes marksmanship with large guns and with small arms, as well as pay rewards for excellent military deportment.

Armies and navies need a large variety of abilities. Special assignment pay covers a number of these, inducing men to undertake work in which they are best able to render efficient service. Marksmanship is likewise an important asset to a military organization. Those who have compared figures as to our marksmanship about the time of the Spanish-American War with the present marksmanship of the Navy, have been surprised at the tremendous improvement. One contributing element to this improvement is the extra pay and the prizes awarded for efficiency.

The pay for gun pointers in the Navy varies from two dollars to sixteen dollars extra a month, according to the qualification and the class of gun at which the pointer is stationed. The prizes vary in amount and are fixed by law. This prize reward embraces the idea of group efficiency combined with individual efficiency. By this I mean that ships, as well as gun crews, are awarded prizes which are divided among the members. Individual pay in the service has never aroused the same envious feelings between men as have some of the systems of individual pay instituted in industrial establishments. This would probably be the case even were the element of group prizes entirely separated from that of individual pay, because each member of a group takes pride in the efficiency of the group independently of pay considerations. Nevertheless, in an in-

dustrial establishment it would seem that the paying of bonuses or prizes to groups of men operating a given class of machines, or in a given department, would make each man anxious to have every man in the department efficient, and would largely eliminate jealousies between the very efficient and the less efficient.

The Marine Corps participates in this extra pay for gunnery in that it mans the intermediate and secondary batteries on board the ship. Likewise, the Army pays gun pointers seven dollars a month extra, first-class gunners three dollars a month extra, and second-class gunners two dollars a month extra.

In addition to the pay for marksmanship with great guns, there is extra pay for proficiency with small arms. This proficiency in the Army and Marine Corps is designated by three gradations—marksmanship, sharpshooter, and expert rifleman. The extra pay of these gradations is two dollars, three dollars, and five dollars a month, respectively.

Increases in base pay are not only made as between differences of rank, but also as to length of service. Each man's pay is determined by the enlistment period in which he is serving, an enlistment period consisting of three years. Even though the actual period for which the man enlists may be four years, this does not affect his enlistment period, so far as pay is concerned, which remains on the three-year basis. In order to entitle a man to continuous-service pay he must reenlist within three months of his discharge.

Service pay is more complicated, by reason of the above variations, than most persons suppose. However, it has in it many elements of interest to students of the relation existing between pay and efficiency. Beyond any question, the improvement which has been manifest in all branches of the service both from the standpoint of those duties incidental to purely military service, and from the standpoint of proficiency in marksmanship with large and small guns, may be largely ascribed to the extra pay which has been awarded for these abilities.

MORRIS W. BRAGDON, Pace Institute, Extension Division, has recently been appointed city auditor for the city of Portland, Maine.

WALTER S. DERBY, formerly Pace Institute, Boston, has taken up his residence in New York City, and accepted a position as bookkeeper for I. Miller & Company.

*Pay
of the
Soldier*

WAR does not operate so severely as formerly upon commercial relations between the belligerent countries. In the old days, all debts were canceled, all existing contracts were annulled, and a great part of the property of alien belligerents was confiscated. Today the law is as lenient on questions of commerce as is consistent with the requirements of the situation.

Only in exceptional instances does war in any manner affect contracts and other obligations existing between persons, resident of the same country, even though one of the parties be a citizen or subject of the enemy country. For all practical purposes, the relationship is not altered by a state of war, unless the contract be of a nature inimical to the interests of the country.

As to executed contracts, that is, contracts in which the things agreed to be done have been done, a state of war does not affect these, except to the extent that legal actions arising out of the contract may be abated. Hence, an inquiry into the effect of war upon commerce must naturally be directed to executory contracts between citizens or subjects of one of the belligerent countries and citizens or subjects of a country which is on the other side. I shall discuss this question respecting trade intercourse, property, agency, partnership, debts, interest, insurance, and the Statute of Limitations.

Trade intercourse between belligerents is forbidden, unless the rights of humanity are involved or unless approved by the government. Approval of the government may be in the form of a license permitting persons to engage in trade with an enemy country. This, of course, places no obligation upon the enemy country to recognize the license.

Aside from the exceptions mentioned, all other relations of a trade character must cease. This is effective even to the extent of forbidding such trade intercourse when the proceeds are to go to a citizen of, say, the United States, who is resident in the alien country. The fact that a citizen benefits by the transaction in no wise affects the legal rule. Although it is unlikely that questions concerning the touching of vessels at ports of the enemy will be raised, nevertheless, the carrying of a cargo to or from the enemy country would be illegal.

Ordinarily, neither real property nor personal property of an alien whose country is at war with this country is confiscated. Confiscation would depend upon the exigency of the situation, and whether or not the property was of such character as to justify extreme measures. Land is

never confiscated. Removal of personal property may be effected, if not inconsistent with military necessity, within a reasonable time.

However, an alien cannot remove property out of the country, after a reasonable time has expired, without special permission of the Government.

The relationship of principal and agent existing between citizens or subjects of the respective countries, and resident in each, is suspended ordinarily. If the continuance of the relation is contrary to the policy or interest of one or both of the belligerents, then it is absolutely terminated. Likewise, partnerships are dissolved, subject to the limitations heretofore mentioned; that is, in case the partners are citizens of the respective nations and resident in each of the respective nations. Upon the termination of hostilities, agency contracts and partnership contracts are revived, at least to the extent of permitting an accounting to be made between the parties.

Debts, under the old rules, were wiped out as between the belligerents. The modern law, however, only suspends payment during the period of hostilities.

There are two rules respecting interest. If the interest is the result of a voluntary agreement between the parties, it continues to run during the period of hostilities in spite of the fact that prohibition of intercourse prevents payment. Should the interest be involuntary, as in cases where interest is a matter of damages, then the interest ceases during the period of hostilities. For example, if an action were commenced on a contract not providing for voluntary interest payments, ordinarily, interest accumulates; but in case of war, interest would be suspended as between belligerents. However, if the action were based on a promissory note calling for the paying of interest, such interest does not abate.

Insurance raises many interesting questions. Ordinarily, war merely suspends the contract. Insurance contracts, wherein the insured pays in advance, are suspended as to the insurance company. For instance, if a fire were to occur under one of these contracts, the insurance company would not be obligated to pay until the end of the war. Another form of insurance is one in which premiums are paid from year to year, but on a continuous basis. This condition occurs in life insurance. Respecting life insurance, there are three views in the United States. The first of these views, and that which is the most prevalent, is that the life-insurance contract is merely suspended; the second is that the contract is annulled; the third is that the contract can be

revived only with the consent of both parties, upon the termination of hostilities. Probably the weight of opinion favors the revival of life-insurance contracts after hostilities have ceased, to the extent that the rights of neither party are impaired. It is apparent that life-insurance contracts might be of such nature that a complete revival would be inequitable. Federal courts hold that the insurance company may annul the contract should its right be impaired, but are liable for insurance to the extent of the premiums that have already been paid on the policies.

At this point it may be well to remember that we are only considering executory contracts as between citizens of the respective countries, not resident within the same country. These considerations likewise apply to the Statute of Limitations. If the citizens or subjects are in one of the belligerent countries, they are at liberty to have recourse to the courts, and, hence, the Statute of Limitations would not be suspended as to them. But should they be resident in each of the countries at war, without the opportunity of bringing action, then for the period that the war is in progress the Statute of Limitations would not be operative.

Beyond doubt, many interesting questions will flow out of the present situation. It is not presumed that an opinion can be accurately expressed on all of these questions. Nevertheless, the above rules are indicative of the probable decisions of courts in like cases which may arise.

The Army Division **C**OLONEL ROOSEVELT has volunteered to organize a division for service in France. Furthermore, we are told that the New York National Guard constitutes an army division. Yet if you were to ask the average person what an army division is, you would be fortunate to receive an intelligent answer.

A division is the smallest army unit capable of independent action. It contains every important element of a complete army. Hence, a division appeals to the Colonel's natural tendencies—a love of independent action combined with a love for variety.

Consideration of the division therefore comprehends every unit of a complete army. The main units are divided according to their purpose into infantry, cavalry, artillery, and engineers. Other units, smaller in number, are signal companies, field hospital and ambulance companies, and staff units concerned with pay, food, supplies, and equipment. The number of men in a division totals, approximately, 25,000.

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Considerable confusion exists in the lay mind as to the size of a regiment, or of a brigade, because the number of men in these units

varies according to the arm of the service. An infantry brigade consists of three regiments of approximately 1,700 men each. An artillery brigade consists of two regiments of approximately 1,100 men each. A cavalry brigade is unusual. It is a flexible unit and may consist of two or more regiments of approximately 1,100 men each. Engineers are not organized as to brigades. They are organized as to battalions of approximately 550 men each.

If you enjoy arithmetical calculations, you are free to do any figuring you desire on the basis of these approximations. A division consists of three brigades of infantry, one brigade of field artillery, one regiment of cavalry, and one battalion of engineers.

You have received a general idea of the purpose of each of these units. The infantry is the backbone of the division. In attack the infantry is supported by the field artillery. Scouting is carried on by the cavalry. The construction of bridges, roads, barbed-wire entanglements, laying of mines, as well as demolition work, is done by the engineers.

To support the work of these main units, there are the other units to which we have referred. Care of the sick and wounded devolves upon hospital and ambulance companies. Communication is established by means of signal battalions.

Food, supplies, and equipment are now handled by one department—the Quartermaster's. In the Army, this department also pays the men. Ordnance consists of both small arms and artillery pieces, together with ammunition. These are in charge of the Ordnance Department.

A check upon the work of all of these units is effected by inspections. These inspections are carried on by representatives of the Inspector-general's Department. Law intrudes even into an army organization. Major points of discipline are reviewed by the Judge-advocate General. Regulations governing the conduct of courts-martial are issued by this officer.

A major-general commands a division. From the brief summary of the functions exercised by this unit, it is apparent that he must be capable of administrative abilities of the highest order.

After all, the work of a division is to fight. Soldiers perform their routine drills and duties with the same enthusiasm as a football team on the practice field. When the call comes, all go into action as parts of a smooth-working and efficient machine.

ACCOUNTANTS the world over have reason to be proud of the part their profession has played in the great world crisis—a part destined to be even greater in the grim days that lie ahead, inasmuch as our country has now definitely entered the struggle in defense of democratic institutions.

Many accountancy firms have made heavy contributions to the war-imposed needs of their country—none giving of itself more patriotically than Price, Waterhouse & Company has done.

The following roster of the members of the "P. W." staff who have joined the British forces during the present war is as impressive a picture of the patriotism that expresses itself in action as can be depicted in words. There are one hundred and nine of these gallant men, who come from the firm's offices, not only in Britain and her colonies, but also in the United States; in addition, there are in the British army at the present time twenty-seven men who were formerly members of the staff of the firm; an inspiring total of one hundred and thirty-six men who have responded to their country's call!

The following abbreviations appear at the left-hand side of the names: † killed in action; W., wounded; D., discharged unfit; P., prisoners; M C., military cross.

NAME	RANK	REGIMENT
Alexander, G. A. H. (St. Louis)	2nd Lieut.	2/4th Batt. Hampshire Regiment.
Allison, T. B.	2nd Lieut.	9th Black Watch 44th Light Trench Mortar
Atkins, L. G.	Rifleman.	2nd Batt. London Rifle Brigade [Battery
W. Barber, A. P.	2nd Lieut.	3/1st London Brigade R.F.A.
Beall, C. (Winnipeg)	2nd Lieut.	Prince of Wales' Own (West Yorkshire) Regt.
W. Bonham Carter, F. G. (Cairo)	Captain.	3rd Guard's Brigade, Trench Mortar Battery.
Boon, E. S. B.	Col. Sergt.	10th Batt. (Duke of Cam. Own) Middlesex Reg.
Booth, H. R. (Buenos Aires)		
Boss, J. G.	Captain.	1st Line Northern Cyclists' Batt.
Brodie, A. B. (Montreal)	Lieut.	5th Royal Highlanders, Canada (Col. Service).
D. Browning, W. H.	Private.	Queen's Westminster Rifles.
W. Burgess, J.	2nd Lieut.	13th Batt. Middlesex Regiment.
W. Burlinson, M. A. (St. Louis)	Corporal.	14th Batt. 3rd Canadian Infantry Brigade.
W. Butt, R. A. (Chicago)	Captain.	16th Batt. Notts and Derby Regiment.
Carter, L.	Rifleman	3/18th London Irish Rifles.
Challands, R. S.	2nd Lieut.	2/1st Worcestershire Yeomanry.
Charles, W. (Vancouver)	Captain.	11th Canadian Mounted Rifles.
Charlton, F. F.	2nd Lieut.	4th Gordon Highlanders.
Coates, W. G.	Captain.	18th London Battery R.F.A.
Collinson, F. E. (Liverpool)	Private.	10th Liverpool Scottish.
† Cooper, A. L.	2nd Lieut.	1/19th London Regiment.
Cooper, W. F.	2nd Lieut.	12th Batt. Royal Fusiliers.
Craddock, D. V. L.	Lieut.	1/9th Batt. Durham Light Infantry.
W. Craggs, G. S. (Winnipeg)	Bgde. Major.	Late 10th Batt. 2nd Canadian Infantry Bgde.
Crampton, H.	2nd Lieut.	3/5th Manchester (attached 2/6th Gloucesters).
Cundall, F. W.	Private.	London Rifle Brigade.
D. Currie, J. V.	Private.	London Scottish.
Davies, S. N.	Lieut.	2/4th Batt. City of London Royal Fusiliers.
De Wolf, T. St. E. (Vancouver)	Lieut.	143rd Batt. Canadian Expeditionary Force.
Doulton, B. D.	2nd Lieut.	2/1st Warwickshire Yeomanry.
Dukes, E. H.	2nd Lieut.	8th Batt. Lincolnshire Regiment.
MC. Dunbar, Sir A. E., Bart.	Captain.	12th Batt. West Yorkshire Regiment.
Dyne, L. E.	Gunner.	Artillery Division Honorable Artillery Co.
Eden, W. G.	Private.	3rd Batt. Artists' Rifles.
Edelsten, M.	Captain.	Army Service Corps.
Etheredge, J. E.	Private.	4/2nd London Regiment.
P. Evanson, E.	Rifleman.	London Rifle Brigade.
Fairlie, G.	2nd Lieut.	Machine Gun Corps.
W.D. Fish, R. C.	2nd Lieut.	3rd Batt. Yorkshire Regiment.
Freeborn, J. G.	Rifleman.	London Rifle Brigade.
Gethen, C. F.	Captain.	Army Service Corps.
Girvan, C.	Private.	28th Batt. London Regiment (Artists' Rifles).
† Grant, J.	2nd Lieut.	15th Batt. Royal Scots.

NAME	RANK	REGIMENT
W.D. Green, F. D. L.	2nd Lieut.	Grenadier Guards.
Greenbank, F. R. H.	2nd Lieut.	2/7th (Reserve) Batt. Devonshire Regiment.
Greenslade, C. F. A. (Buenos A.)	2nd Lieut.	200th Battery R.G.A.
Greenslade, W.H.W. (Chicago)	2nd Lieut.	1st East Anglian Brigade R.F.A.
Gregory, A. R.	Private	4th Batt. City of London Royal Fusiliers.
Groom, C.	2nd Lieut.	1st Batt. Artists' Rifles.
Halsall, R. (Liverpool)	Bombardier	8th (Reserve) Battery R.F.A.
W. Hancocks, F. G.	2nd Lieut.	1st Batt. London Rifle Brigade.
Hardwick, D.	Private	3rd Batt. Artists' Rifles.
Hartley, F.	2nd Lieut.	Army Service Corps.
Hartnett, P. G. (St. Louis)	Private	81st Canadian Batt.
Hemsley, H. N. (St. Louis)	2nd Lieut.	21st Batt. London Regiment (1st Surrey Rifles).
W. Hornung, G.	Lieut.	R.F.A.
Jameson, R. H. (Cairo)		
Jamison, R. E.	2nd Lieut.	A.S.C.
Jones, A. E.	Lieut.	5th (Reserve) Batt. Royal Welch Fusiliers.
D. Jones, D. T.	2nd Lieut.	
Jones, H.	Private	7th (Reserve) Batt. Middlesex Regiment.
Kennedy, A. D.	Lce. Corporal	2/1st Highland Cyclists' Batt.
† Lampard, P. S.	Corporal	1st Batt. Honorable Artillery Company.
W.M.C. Langdon, J. H.	2nd Lieut.	81st Machine Gun Company (27th Division).
Langley, L. E.	2nd Lieut.	1st (Birmingham) Batt. R. Warwickshire Regt.
Lobb, E. E.	Private	Honorable Artillery Company.
Lord, R. H.	Private	1st Batt. Honorable Artillery Company.
Macbeth, J. N.	2nd Lieut.	14th County of London (London Scottish).
Maher, J. J. (Los Angeles)		4th Cyclist Company Australian Force.
McCormick, L. J.		
Mellor, H. (Liverpool)	Lce. Sergt.	2/5th Batt. King's Liverpool Regiment.
W. Moffatt, E. H.	2nd Lieut.	4th Batt. City of London Royal Fusiliers.
Mortleman, W. R.	2nd Lieut.	3/7th London Brigade (T.) R.F.A.
Murphy, G. F.	Staff-Sergt.	Saddler 4th Hussars.
D. Newbery, F. W. (since died)		
Nichols, C.	Captain	2/5th Batt. Royal Welch Fusiliers.
O'Shea, T. (Liverpool)	Coy. Q. M. Sergt.	2/5th Batt. King's Liverpool Regiment.
Parmeter, P. (Newcastle)	Captain	6th Batt. Northumberland Fusiliers.
Sedcole, F.		
Sheridan, H. H.		
Shorthouse, A. G. (Los Angeles)		
Sillem, H. N.	2nd Lieut.	18th Hussars.
† Simpson, C. B.	Captain	19th Batt. Royal Fusiliers.
Skelton, G. (Los Angeles)	Private	29th (Vancouver) Batt. Can. Expedit'ry Force.
W. Smith, N. J. K.	Lieut.	Machine Gun Company 141st Infantry Bgde.
W. Smith, S. H.	Captain	8th Batt. East Yorkshire Regiment.
Sneath, R. E. F.	Captain	2nd London Regiment.
W. Sparke, E.	Corporal	6th Batt. Bedfordshire Regiment.
W.P. Swallow, S. H.	2nd Lieut.	12th Royal Sussex Regiment.
Symondson, F. S.	Lieut.	1st Glamorgan Yeomanry.
Tackley, R. C.	2nd Lieut.	
Taylor, J. W. (Montreal)	Private	24th Batt. (Victoria) Can. Expedit'ry Force.
Tyack, W. D. (St. Louis)	2nd Lieut.	3/4th Batt. Duke of Cornwall's Light Infantry.
Vaughan, G. E. (Vancouver)	Captain	11th Canadian Mounted Rifles.
Wadsworth, B. H.	Private	Honorable Artillery Company.
Wallace, D. A.	Trooper	2nd City of London Yeomanry.
W. Warner, B. O.	2nd Lieut.	1st Batt. Essex Regiment.
† Watson, T.	Private	4th Royal Scots.
W. White, A. B.	Captain	London Rifle Brigade.
White, S. E.	Rifleman	3/9th Batt. London Regt. Queen Victoria's [Rifles].
White, W. J.		R.N.A.A.S.
Willcox, G. A.	Sergt.	City of London Yeomanry (Roughriders).
Wilkinson, J. S.		Essex and Suffolk R.G.A.
W. Williams, T. H. Sarl	Private	16th Batt. Middlesex Regiment.
† Williamson, L.	Private	2nd Batt. 14th London (London Scottish).
Wiltshire, P. R.		
Wingate, W. M. R.	Captain	General Service Staff.
Woodhead, S. (Liverpool)	Corporal	Army Service Corps.
D. Yates, C. J. (Liverpool)	Private	10th Batt. King's Liverpool Regt. (L. Scottish).

Sir
George A.
Touche

MR. GEORGE A. TOUCHE, senior partner of George A. Touche & Co., chartered accountants, London, and Touche, Niven & Co., New York, has recently been honored by His Majesty's Government with a knighthood. Sir George received his early training in the City of Edinburgh and became a member of the Society of Chartered Accountants there in 1883. He proceeded to London and rapidly won for himself an enviable position in the city, more especially in finance rather than in pure accountancy. His work has been largely of a constructive character, and he has successfully carried through many large, important reorganizations. He is now chairman of several important companies, including two or three of the most successful trust and investment companies in the City of London, whose investments are spread all over the globe.

In more recent years he has also taken an active interest in public affairs, having represented the Borough of North Islington in Parliament since December, 1910. He is also an alderman of the City of London, and has occupied during the past year the senior sheriff's chair. During the war, both he and his partners have served on a number of important commissions and committees, and he has generously given of his best for the service of his country during these trying times. He is represented in the Imperial forces by three out of his family of four sons.

Sir
Samuel
H. Lever

SAMUEL H. LEVER, A.C.A., member of the accountancy firm of Barrow, Wade, Guthrie & Company, of New York, and of Lever, Anyon, Honeyman & Spence, of London, has recently been knighted by the English Government for his notable services during the war with Germany.

The Accountants' Journal, issue of January, 1917, has the following to say about Mr. Lever:

"By appointing Mr. Lever as Financial Secretary to the Treasury, Mr. Lloyd-George has paid a signal tribute not only to the value to the country of Mr. Lever's outstanding ability, but also to the worth of Chartered Accountants to the Government. Mr. Lever's record is a remarkable one. When he went to the Ministry of Munitions in August, 1915, he was practically unknown on this side of the Atlantic, although one of the leading practitioners in New York. Yet in the short space of sixteen months he holds one of the most responsible positions in the Government—a post of special importance at a time like the present, when finance plays such a big part in the war. And the fact that Mr. Lever

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owes his appointment to the work he has accomplished, and not to political considerations, should make the profession even more proud of its representatives."

RICHARD FITZGERALD, C.P.A., a graduate of Pace Institute in 1910, and now comptroller of Marden, Orth & Hastings, Inc., of New York, has had a varied military experience.

Richard
Fitz-
Gerald

Mr. FitzGerald, as second lieutenant of the Royal Naval Reserve Corps, of England, performed many duties of military and naval importance to his Government. In 1904, 1905, and 1906 he served on various cruisers and surveyships for the Eastern Australian station. After the Russo-Japanese War he superintended the transfer of prisoners of war from Japan to Russia. He traveled from Vladivostok to Petrograd over the trans-Siberian railroad with despatches for the Russian war office. He was one of the first foreign officers from the seat of hostilities to reach Petrograd, where he was given an audience with Grand Duke Michael.

During the present war between the Allies and Germany, Mr. FitzGerald has served as a captain in the railroad transport service. In July, 1916, while in France, he was wounded in action and was consequently given leave of absence.

Mr. FitzGerald has had a wide accounting experience in the United States, having been associated with Suffern & Co., and later becoming a member of the accountancy firm of Eckes, FitzGerald & Dean, from which he withdrew to become comptroller of Marden, Orth & Hastings, Inc. The last-named firm, largely through Mr. FitzGerald's initiative, has organized a patriotic fund, the purpose of which is to pay full salary to such employees of the company as serve with the American Colors for as long a time as they shall be absent. Marden, Orth & Hastings are planning to eliminate all men of military age and fitness who do not respond to their country's call. The firm also expects to train young women to take the places of the men who enter military service.

It is worthy of note that the firm has decided to take the same attitude as the United States Government toward such of its employees as are of German birth. They will be retained so long as they maintain a proper attitude toward the Government, and will be treated with full consideration by the other employees.

Mr. FitzGerald intends to join the United States Army in any capacity in which he can serve. He has arranged to take a course at the

College of the City of New York which will qualify him for membership in the Officers' Reserve Corps.

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on the 28th of February, 1913. Mr. Allen has now been in service more than four years. This service was interrupted for several months, when he was stationed in Havana as an engineer of the Cuban Republic.

Lewis H. De Baun **L**EWIS H. DE BAUN, a member of the executive staff of Pace Institute, enlisted in Company B, First Battalion, New York Signal Corps, National Guard, on November 22, 1910. He was warranted corporal on June 27, 1912, sergeant on July 8, 1915, and first-class sergeant on June 20, 1916. On July 1, 1916, he received his commission as first lieutenant, and was assigned to duty with the company in which he had served as an enlisted man.

From June 19, 1916, to December 24, 1916, in response to the call of President Wilson, this company was on Mexican-border service, being stationed at McAllen, Texas. The work of the company consisted of the construction, maintenance, and operation, of the military telephone and telegraph lines in the sector from Donna Pump on the east to Los Ebanos on the west. Within this district were included the three principal camp-sites of the New York Division: Mission, McAllen, and Pharr, as well as all outpost positions along the Rio Grande.

George W. Von Arx, Jr. **G**EORGE W. VON ARX, JR., a member of the staff of Pace Agency for Placements, Inc., enlisted on June 4, 1912, as a private in Company C, Fourth New Jersey Infantry. In August of that year he took part in the Connecticut maneuvers for fourteen days. In September, 1912, he qualified as marksman; in June, 1913, he was made a corporal; and in August, 1913, he qualified as sharpshooter.

In June, 1914, Mr. Von Arx was rated as instructor in rifle practice at the musketry school, Sea Girt, New Jersey. This school covers a period of instruction of five days on the United States magazine rifle. In June, 1916, on being promoted to a sergeant, he was mustered into the service of the United States and ordered to Douglas, Arizona.

In August, 1916, he was transferred to the Machine Gun Company, made a first sergeant, and commissioned as second lieutenant in Company L, Fourth New Jersey Infantry. He later qualified as expert rifleman at Sea Girt, and in October, 1916, was mustered out of service. Only recently Mr. Von Arx was again summoned, and he is now with the New Jersey State Militia.

John H. Allen, Jr. **J**OHN H. ALLEN, JR., a member of the Promotion Department of Pace Institute, enlisted in Battery F, First New York Field Artillery,

From June 19 to November 15, 1916, Mr. Allen served as gunner corporal with his regiment at McAllen, Texas. Aside from the work with the field piece during action, this position involves responsibility for the serviceable condition of a gun, caisson, two limbers, and equipment.

For some months Mr. Allen acted as statistician of the American Defense Society, Inc., where he had an unusual opportunity to study the general organization and working of military forces. At this time he became interested in the formation of the Stuyvesant High School Training Corps, a body which he has since assisted in various ways. Mr. Allen also helped organize the Home Defense League for the Fourteenth Precinct, and served in it as first lieutenant until his removal from the city last June.

Having read a great deal along military lines, Mr. Allen is now devoting his spare time to special studies. With the knowledge gained in this way, and with his present fund of information and experience, he hopes for favorable consideration on an application he has filed for a commission as first lieutenant of field artillery in the Officer's Reserve Corps of the United States Army.

CHARLES T. BRYAN, graduate of Pace Institute and instructor in Accounting, enlisted on March 1, 1912, as fireman in the Engineer Division, Second Battalion, Naval Militia of New York. He was detailed as an acting yeoman and then rated as machinist's mate, continuing, however, his duties as yeoman. In June, 1916, he received the rating of yeoman, first class, and he has recently made application for an officer's commission in the Naval Reserve.

Mr. Bryan acted as engineer's yeoman on the cruises made by the Second Battalion on the United States battleships *Iowa*, *Alabama*, *Kentucky*, and *Maine*, in 1912, 1913, 1915, and 1916, respectively. He was also one of the crew assigned to the battleship *Missouri* at the time of the fleet review on the Hudson River.

In addition to the above experience, Mr. Bryan has been and still is a close student of matters connected with the Naval Militia. For several years he has attended weekly lectures and drills at the armory, and in various other ways he has aimed to make himself proficient in the duties required of naval militiamen.

Charles T. Bryan

**Horatio
N. Drury**

HORATIO N. DRURY, head of the Department of Publicity of Pace Institute, had four years of military training during his college course at the University of Vermont, from which he was graduated in 1900. In his freshman year he was a private; in his sophomore year, a corporal; in his junior year, a first sergeant; and in his senior year, one of four captains, each in command of about one hundred men.

Drills were held twice a week during each college year. Intensive courses in military tactics were given, and much practical experience in field work was afforded to all male members of the college body. The military work was under the command of an officer of the regular Army, detailed to the University as Professor of Military Science and Tactics.

During Mr. Drury's senior year, the University of Vermont battalion was chosen by visiting officers of the Army, acting under orders from the War Department, as being one of the five best-drilled college battalions in the country.

**William
H.
Hirsch-
mann**

WILLIAM H. HIRSCHMANN, a graduate of Pace Institute, 1916, and the present head of the Pace stenographic staff, is a graduate of the Xavier High School, New York City, which for more than a generation has taught military science and tactics under the supervision of the Department of War. Mr. Hirschmann rose to the rank of first lieutenant, and was awarded several medals for marksmanship. He was a member of his company's rifle team in the annual competition, a competitor in

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the individual marksmanship contest, and a member of the school rifle team competing in the school tournament at Madison Square Garden. The Cadet Regiment of the Xavier High School is one of the largest in the country. Its influence very often has the effect of leading students into the regular Army, the National Guard, and the Plattsburg camps.

**George P.
Buechner**

GEORGE P. BUECHNER, a member of the staff of Pace Agency for Placements, Inc., is a member of The High School Sharpshooters' Association. This is a body of young men, over one thousand in number, who, during their high-school years, qualified as sharpshooters, either at the Peekskill state rifle range, at one of the city ranges, or on the subtarget machine gun.

The organization is self-supporting and absolutely independent of either the federal or state service, but is subject to call from either. The members supply their own uniforms and also the ammunition for rifle practice.

The purpose is to maintain a high standard of efficiency in the use and handling of fire arms, and to promote increased accuracy in their firing on the part of those who have already attained this standard. The object of the drills is to create a body of men who will be able to assist the mayor in protecting life and property within the city in time of urgent need. The services of these men, however, would be required only when the mayor is awaiting the coöperation of the governor, and when immediate protective action is necessary.

Accounting Application of Tax Laws

Special Study Course in Federal Taxes

Tax legislation of recent years has involved intricate accounting problems, creating a demand for expert instruction in the interpretation of the Laws from the accounting view-point.

Pace Institute, New York, has arranged a special fifteen weeks' course (evening sessions) on the Accounting Application of Federal Tax Laws. The Course will begin May 9, 1917.

All recent Tax Legislation and Treasury and Court decisions will be included in the study. Emphasis will be placed on the Federal Income Tax and any new special War Tax legislation will be fully discussed.

Write for Special Descriptive Folder.

PACE INSTITUTE

Hudson Terminal

30 Church Street

New York City

MODERN Military Organization includes both men and women. It begins at the home, the farm, and the factory, and extends in a continuous chain of team-work, to the firing-line.

"One of the biggest problems of organization will be to provide trained workers in clerical duties. Aside from the requirements of the Government, thousands of vacancies will need to be supplied in transportation and industrial corporations, in order that their efficiency may be maintained."

These words taken from a recent advertisement of The Pace Institute appearing in the New York papers are self-explanatory. A war of the magnitude of the present conflict calls for a very intensive organization on the part of the different belligerents. The women of the United States are anxious to do their part, but a group of great size, working with no predetermined plan is fully as likely to do harm as good to the cause for which it has enlisted itself.

It is with this idea in mind that Pace Institute has decided to place, without charge, the resources of its organization at the disposal of groups of women who may wish to receive training in clerical work which will fit them for duties in the Government service, or in the service of private corporations to take the place of men who have been called to the colors.

The course will be ten weeks in length, class sessions being held at 3:30 on Tuesdays and Fridays. The work to be taken up will cover thoroughly the entire field of clerical routine, such as receipt and disbursement of cash, pay-roll forms and records, purchases and stocks, budget forms and records, office procedures, and arithmetical calculations. The work on office procedure will be especially thorough, including filing and indexing of correspondence and documents, and the demonstration and explanation of ordinary office appliances.

Because several members of the Pace Organization have had experience in the War Department at Washington, Government forms and records will be made available for the students of the course, so that they will get practice in following the forms actually used to-day in Government service.

The raising and equipping of an army of one-million men is in itself a stupendous undertaking. Few people realize, however, the immense amount of clerical work oc-

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casioned by the mobilization of such a vast army. Even in times of peace the War Department has been short of clerks, and when its activities are to be increased fully five fold, it will readily be seen that the woman who wishes to serve her country in a material way will have a large opportunity before her in the Government service alone.

The National League for Woman's Service has strongly indorsed the Course and is sending to Pace Institute a group of fifty of its members for training in clerical work.

FEW people know much about the smallest and oldest branch of the United Service—the United States Marine Corps. Organized as early as 1775, this valiant Corps has ably participated in every important American battle on land and on sea.

Webster defines a marine as "a soldier of the sea." From this definition it must not be supposed that the Marine Corps operates only with the Navy. Quite frequently the service is on land with the Army. Coöperating with both branches, the Corps has probably seen service in more lands than either branch. A list of countries where the Corps has been in action includes: Egypt, Algiers, Tripoli, Mexico, China, Japan, Korea, Cuba, Porto Rico, Panama, Nicaragua, Santo Domingo, Formosa, Sumatra, Hawaii, Samoa, Guam, Alaska, the Philippine Islands, and Haiti.

Our recent experience at Vera Cruz brought to the attention of the public the importance of a trained landing party. This has been the main duty of the Marine Guard on board ships. In addition, as the term "Marine Guard" implies, Marines guard the ship. Should the ship be called into action, the Marines man the intermediate and secondary batteries. It is claimed that most of the damage wrought on Cervera's fleet at Santiago in the Spanish-American War was the work of the intermediate and secondary batteries manned by Marines.

Mobility is the chief characteristic of the Marine Corps. Men are always moving from one station to another. No hurly-burly confusion attends the dispatch of a force of Marines. In fact, if they remain long at one place, they become rest-

less and uneasy. Because of this ability to get into action quickly, the Marines are usually the first of Uncle Sam's fighting forces called upon to meet an enemy.

Aside from appealing to the venturesome, the Marine Corps has an appeal quite different from that of the other branches of the service. In the Army, the unit in which the soldier takes pride is his company or his regiment. In the Navy, it is the ship on which the bluejacket is stationed. In the Marine Corps, it is the Corps itself. As one officer puts it, "The Marine Corps is like one large family." Moving from company to company, from post to post, from ship to ship, each member of the organization serves with a large number of his comrades. It sometimes seems as though every man knew every other man in the Corps.

From this good fellowship emanates an intense pride in the organization, in its traditions, its customs, its valor. Every man knows its motto, *Semper Fidelis*. History records how the Corps has lived up to this motto in the past. Future history will record that in fact, as in name, it embodies the dominating spirit of the Marine Corps.

"FOR God—For Country—For Home." These words constitute the motto of the National League for Woman's Service, an organization formed by a group of patriotic women a few short months ago, because they felt that the present crisis demanded not only serious thought, but also some sort of concerted action.

These women felt that it was not enough that they sit quietly at home and cheer the men as they left for the battle front. They believed that women could do something more; that they could do something concrete and constructive for the country; hence the formation of the League.

Its object, quoting from a registration blank, is "To coördinate and standardize the work of women of America along lines of constructive patriotism; to develop the resources of women in meeting their everyday responsibilities to home, to state, to Nation, and to humanity; to coöperate with the Red Cross and other agencies in meeting any calamity—fire, flood, famine, economic disorder, etc., and in time of war to supplement the work of the Red Cross, the Army, and Navy, and to deal with questions of women's work and women's welfare."

The
Marine
Corps

National
League
for
Woman's
Service

**National
League
for
Woman's
Service**

(Continued)

The League is performing a most useful service in mobilizing the woman-power of the nation. The importance attached to its work may be gathered from the fact that three members of the organization committee have been invited by the Council of National Defense to confer with the Council regarding the relation of the woman-power of the country to the problem of national defense.

The League is working hard to enroll women who are willing to volunteer their services in time of emergency.

The enrolment blanks register women for work in various departments, such as the commissariat, agriculture, industry, motor-driving, and office work.

Those women registered in the league are classified very carefully in order that in a crisis they may be instantly available. State organizations in practically every state in the Union greatly facilitate the work of the national body.

Miss Grace Parker, national commandant of the League, has spent some months in England observing conditions there, especially in regard to the part the women are playing in the great war. She found that women are carefully organized to give all the aid in their power to the men who constitute the actual fighting force. Some of the plans worked out there she hopes to put into effect in this country.

The National League for Woman's Service is supporting without reservation the new course offered by Pace Institute in Emergency Clerical Service for Women, and is coöperating with the Institute by sending to it a class group of fifty women for emergency training in clerical duties.

**The
Washington
School**

INDUSTRIAL mobilization opens up an opportunity for the graduates and students of the Washington School of Accountancy. Just how far industrial mobilization will go, no man can predict. It may even extend to the operation of industrial plants by the Government, their products to be utilized by the Government, and a fair profit turned over to the owners. Should this be necessary, or even if not carried to quite this extent, industrial mobilization will call for two classes of men: First, those in the Government who understand the methods of commerce; Second, those in commerce who understand the methods of Government. Graduates and

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students of the Pace Courses in Washington are in both of these classes.

Important positions in the Government to-day of an accounting nature are held by many graduates of our Washington School. J. A. Councilor, in the Treasury Department, is one of a committee which passes upon all forms by disbursing officers of the Government. These forms naturally include those suggested by disbursing officers of the Army, the Navy, and the Marine Corps. These disbursing officers, in some instances, pay the men who serve in the military or naval establishments, and, in other instances, make disbursements to those who furnish the supplies and the materials used by the various branches of the United Service.

Mr. John Barber, another graduate, is in the office of the auditor for the Navy Department. One of Mr. Barber's duties has been to teach new paymasters entering the Navy. In the Navy, a paymaster not only pays the men, but also attends to the disbursements connected with supplies for stations from ships. Their duties necessitate constant dealings with men engaged in ac-

tive commerce. Mr. Barber's acquaintance with commercial methods and with Government accounting, peculiarly fits him to teach these candidates for positions as paymasters.

Further removed from the military and naval branches, but nevertheless in a useful department of Government activity, is Mr. R. M. Neu. Mr. Neu is with the Federal Trade Commission. Very probably a large part of the suggestions concerning industrial mobilization will emanate from this Commission. In the publication of its pamphlets on retail store accounting, and on cost accounts for manufacturers, Mr. Neu ably assisted the Commission.

Transportation is another important factor of industrial mobilization. David Graham, instructor in the Washington School, and D. S. Van Buskirk, both graduates of the School, hold responsible positions with the Interstate Commerce Commission.

Since most of the Washington students are in some branch of the Service, a recital of all actually engaged in the work is impossible. Nevertheless, their training fits them to meet the demands of the present situation.

In addition to those in the Government service, numerous others have passed out into industrial work. Among these are: Back,

EPSDW

This sounds like a code. It is a code, meaning that our *experience, personal service, and distinctive work* will appeal to you.

**Accounting Systems
Printing Binders
Lithographing**

Our knowledge of accounting in all of its branches, our long experience in manufacturing and selling this class of merchandise, enables us to give accountants exceptional assistance in the preparation of copy and installation of systems.

Our men are trained for particular work.
It is yours for the asking.

EDWARD KIMPTON COMPANY
MANUFACTURERS

60 John Street New York City

Cooper, McKee, Gottschall, Boose, Cook, Saxton, Wrenn, and Wilcox. All of these men have been in active Government work, and are familiar with the methods and procedures of the Government.

There is no question that every resource of the Nation, human and material, will be called upon in this emergency. Perhaps Mr. Schnepfe and his coworkers on the faculty will have the pleasure of finding Washington students ably assisting in the work to be done.

Munition
Costs

HOW the cost of shells to the British Government was reduced twenty-five to thirty per cent. is a story of deep interest to accountants and students of cost accounting, and to the American Nation—now a participant in the great world-war.

The Accountancy profession may well feel proud of the work achieved by one of its members, Sir S. H. Lever, in his recent capacity as Assistant Financial Secretary to the Ministry of Munitions. Elsewhere in this issue, a brief sketch of the remarkable career of Sir S. H. Lever will be found. Here we confine ourselves to a brief review of the particular work accomplished by Mr. Lever in the Munitions' Department in England.

For the information contained herein, we are indebted to *The Accountants' Journal*, issue of December, 1916.

When Mr. Lever assumed his duties at the Ministry, one of the first things he did was to inquire about the prices paid for shells. He says: "It rather developed that the prices being paid were what had been paid before, and that no information was in the Department making the contracts as to the actual cost—as to what value you were getting for what you were paying." He set to work with the aid of accountants and engineers to compile the costs of the various shells. The big armament firms were then confronted with these costs, with the result that the price of shells was immediately cut down twenty-five to thirty per cent.

Next, the Government shell factories were the subject of investigation by Mr. Lever. Quoting again from his statements: "In order that we might see just exactly what these factories were doing—in order that the Finance Department might keep an eye on the results—we instituted a cost system in each of these factories by which we get a monthly return in detail of the cost

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of each shell. . . . The first thing we had to do was to train the accounting men in the factories to realize how they were to get their detail. I prepared booklets explaining how they were to go about it, and giving them all the forms." The cost covers labor, material, and all overhead expenses, except depreciation on the plant.

Two statements culled from the remarks of Dr. Addison, Parliamentary Secretary to the Ministry of Munitions, reflect the value of the cost system just mentioned.

(1) "The economies which have been exercised and the savings which have been made, as the result of information which has been gathered together and collected and applied in a scientific way, amount to many millions of pounds."

(2) "The adoption of this system has been of incalculable benefit to industry itself, because there is nothing that I have seen in the course of my experience at the Ministry of Munitions which enables us to put our finger upon inefficiency with such unerring accuracy as a system of that kind."

These statements of Dr. Addison form a glowing tribute to the constructive work of the accountant. In this case a saving to the British Government of vast sums of money has been effected, and inefficiency and waste have been laid bare. What will accountants in America do with the opportunities for service that are sure to present themselves, as we take our part in the struggle for right and liberty?

THE Hudson Terminal Barber Shops, Inc., a corporation controlling seven New York barber shops, reputed to be the best equipped and best managed in the world, have taken a positive stand in respect to patriotism and loyalty to the American Government, as evidenced by the following circular letter recently sent by Joseph B. Schusser, the president of the Board of Directors, to every employee of the corporation:

"Our number is made up in part of men of foreign origin. To them, in this great crisis for America, I regard it as my patriotic duty, and privilege as well, to say a word of counsel.

"You, or your fathers before you, came to this country seeking social

and political liberty, and the great opportunities which are derived from our free institutions. That you should retain in your hearts the love of your fatherland is but natural and inevitable. But, now that the country of your adoption is itself threatened by the danger of war in the defense of the honor and integrity of its people and its institutions, there is no allegiance which can be yours save the single, absolute, and unadulterated allegiance to America.

"Whether you are a citizen by birth or by choice, I appeal to you to stand behind our President in whatever decision he may make for the honor, safety, and welfare of our country.

"This land of liberty has given you what you sought upon her shores. She has exacted but little in return.

"Whatever the country of your origin, whatever your sympathies may have been, America now demands your full and undivided loyalty and devotion. Stand behind her as one man in her hour of crisis, even though you be brought into conflict with your own blood and bone.

"Let us think peace and pray for it, but keep our minds steady and our hearts and arms strong so that if the needs shall come we shall be ready to give our all in the defense of our common country."

NEW interest has been awakened in all matters pertaining to the war, now that our own Nation has entered the arena and faces its foes. Before the day dawns when victory shall unfurl its banner, there will doubtless be the need of heavy expenditures for various purposes—among others, Red Cross work.

The statistics showing the income and expenditure of the British Red Cross Society and the Order of St. John of Jerusalem will, in this connection, prove of interest to some of our readers.

From the issue of *The Accountant*, dated March 10, 1917, we ascertain that the total income under the control of the joint finance committee of the two organizations mentioned amounted to £3,064,232 for 1916, while the expenditure for the same period amounted to £1,815,353. It is pointed out that a remarkable feature is the extraordinarily low cost of administration. "During 1916, the cost of Red Cross administration at home and in all theatres of war (excluding hospitals) amounted to £85,298, or only 6.67 d. in the £

Patriotic
Counsel

British
Red Cross
Statistics

British Red Cross Statistics received; while the cost of administration at headquarters was but 4.15 d. in the £ on the income and 7 d. in the £ on the expenditure. . . . A feature that will especially interest and gratify our readers is the large share that professional accountants have taken in this remarkable organization."

Business Names Act

AN interesting piece of legislation recently enacted in the United Kingdom, is the "Registration of Business Names Act, 1916." For a long time the judgment of competent business men has demanded the registration of firms and individuals whose trading styles fail to disclose the identity of the persons in interest. At the commencement of the war, general regret was experienced that no law had been passed making registration obligatory on the part of firms and individuals whose firm style did not reveal the names of the individuals involved. Quoting from *The Accountants' Journal*, issue of March, 1917: "The legislation considered by so many people in normal times to be desirable, as a consequence of the war was deemed to be an urgent necessity. Nevertheless, the new Act cannot be correctly described as a war measure, as its main purpose is to safeguard the interests of the commercial community, and the public generally, after the war."

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We are indebted to *The Accountants' Journal* for the information in the following summary: "In general, every firm having a place of business in the United Kingdom is required to register if it adopts a trading style which does not consist of the surnames of all the partners.

"If an individual does not trade under his own surname he is required to register.

"If an individual or a member of a firm has at any time changed his name (except, in the case of a woman, in consequence of marriage), the individual or firm must register. There are, of course, specific provisions as to the firms and individuals who must register, which would have to be carefully noted by persons interested."

CLERICAL training for returned wounded soldiers has been introduced by the New Zealand Society of Accountants. We quote from an article appearing in *The Accountants' Journal*, issue of December, 1916.

"With a view to assisting returned partially disabled soldiers in obtaining clerical employment, the Council adopted a scheme whereby the

Society provides free clerical training in office routine and bookkeeping to such men as are recommended therefor by the Discharged Soldiers' Information Department of the New Zealand Government."

WALTER E. OATES, New York Institute of Accountancy, formerly employed in the accounting department of the United States Tire Company, has been engaged as bookkeeper for the Hampton Shops.

ANTHONY J. PAGET, Accountancy Institute of Brooklyn, who was formerly employed in the cost accounting department of Kirkman & Son, has entered the practice of public accounting on the staff of J. E. Graef & Company.

J. E. P. MORGAN, Pace Institute of Accountancy, Extension Division, who was formerly on the staff of Price, Waterhouse & Company, has accepted a position in the treasurer's office of the General Electric Company, Schenectady, N. Y.

FRANK GRANVILLE, formerly auditor of the Porto Rico Light and Power Company, San Juan, Porto Rico, has accepted, through the Pace Agency for Placements, Inc., the post of accountant at Consuela, Santo Domingo, for Messrs. Bartram Brothers, of New York City.

Judging from the Past

Every year the demand for copies of The Annual Review of The Annalist, issued the first week in January, exceeds the supply and the edition is quickly exhausted.

The Annual Review of The Annalist contains the most complete and exhaustive summaries of business and industrial development to be found in any publication.

Forecasts of the commercial prospects for the coming year occupy an important place

Tabular and Statistical data gathered together in reviews form a treasury from which the man who is interested in the commercial development of the United States can draw without stint.

To anticipate the demand for The Annual Review and to place these facts within reach of all, we will send the next six issues of The Annalist, including The Annual Review, to any address, postpaid, on receipt of 50 cents, money or stamps.

The Annalist

The Journal of Finance, Commerce, and Economics

TIMES SQUARE

NEW YORK

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No. 7



PATRIOTISM was the dominating note of the Fourth Annual Dinner of the Accountancy students of the Metropolitan District, held at the Machinery Club, on April 28th. Patriotic songs were sung. Patriotic speeches were made. The spirit of patriotic democracy as well as of educational uplift was in the air. "Our Country First" was the banquet message brought to the 700 diners—students, members of the faculty, and invited guests—by George T. Wilson, vice-president of the Equitable Life Assurance Society; Edward James Cattell, statistician of the city of Philadelphia; and Homer Rodeheaver, musical director of the Billy Sunday evangelistic organization. It was a speaking program that throbbed with the outpouring of exalted thoughts clothed in words of force and beauty.

"Developing yourself is the source and secret of efficiency," said Mr. Wilson, in responding to the toast "Efficiency." With pungent anecdote and sparkling witicism Mr. Wilson, himself a notable example of the business success that has a lowly beginning, kept the interest of his hearers at a high pitch of enthusiasm. Mr. Wilson, out of a wide experience, drove home truths that, taken literally, constitute a sound philosophy of individual success. Underneath Mr. Wilson's eloquent address ran the undertone of loyal service to one's fellows and to one's country, as being the highest expression of efficiency—a sentiment that evoked enthusiastic appreciation, not only on the part of the students, but also on the part of the invited guests, many of them educators and business men accustomed to wrestling with the practical problems of life.

"I am an optimist," said Mr. Cattell when he rose to speak upon "Getting the Most Out of Life," "and I always shall be, even after I have grown up." After listening to Mr. Cattell's address, every one present became an optimist—at least for the time being. Words cannot do justice to the beauty or to the inspiring loftiness of Mr. Cattell's message. One moment the audience were laughing unrestrainedly at witty sallies and happy asides; the next moment, tears began to come unbidden. The joy of life, the beauty of it, the pathos of it—these were the chords upon which Mr. Cattell, at eight-four "the youngest man present," played with the sure touch of the master word-organist. And when, in closing, Mr. Cattell told of having known Abraham Lincoln intimately, and spoke of "those sad, dark eyes of his," and urged that every one present stand by the flag that "Lincoln loved," there was a silence that is the highest possible tribute to an orator. Then applause that would not be denied broke forth—the kind of applause that is a safety-valve for heart-throbs.

"Brighten the Corner" and finally "America," sung by

the entire audience under the leadership of Mr. Rodeheaver, brought the evening to a most successful climax. One had only to listen to Mr. Rodeheaver and to observe his skilful handling of his audience, to understand why his reputation as a musical director extends from coast to coast.

The promotion of the banquet was under the direct charge of Lewis H. DeBaun, of the Pace Administrative Staff, assisted by class committeemen from the four Metropolitan Schools—Pace Institute, The Accountancy Institute of Brooklyn, Newark School of Accountancy, and New York Institute of Accountancy.

In addition to the students and members of

*Fourth
Annual
Students'
Dinner*

Speakers

LEADING ARTICLES

Lewellyn E. Pratt

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**Fourth
Annual
Students'
Dinner**

the faculty, many prominent accountants, business executives, and educators were present. Among these guests were Charles F. Mc-

(Continued)

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Guests

Whorter, C.P.A., and David E. Boyce, C.P.A., of McWhorter, Boyce, Hughes & Farrell; F. G. Colley, C.P.A., John B. Niven, C.P.A., and William E. Freeman, of Touche, Niven & Co.; L. H. Conant, C.P.A.; Hamilton S. Corwin, C.P.A., and J. S. M. Goodloe, C.P.A., of Patterson, Teele & Dennis; F. G. DuBois, C.P.A.; Adolf S. Fedde, C.P.A., of A. S. Fedde & Co.; H. D. Greeley, C.P.A.; H. B. Hart, C.P.A.; Charles Hecht, C.P.A.; F. H. Hurdman, C.P.A.; S. D. Leidesdorf, C.P.A.; E. W. Lovejoy, C.P.A., of Lovejoy, Mather & Hough; R. H. Montgomery, C.P.A., of Lybrand, Ross Bros. & Montgomery; G. W. Myer, Jr., C.P.A., and W. S. Whittlesey, C.P.A., of Whittlesey, Myer, & Wythes; J. Lee Nicholson, C.P.A.; John R. Sparrow, C.P.A., of Sparrow, Harvey & Co.; J. E. Sterrett, C.P.A., of Price, Waterhouse & Co.; E. L. Suffern, C.P.A., of Loomis, Suffern & Fernald; W. F. Weiss, C.P.A., of William F. Weiss & Co.; George Wilkinson, C.P.A., of George Wilkinson & Co.; E. B. Yale, C.P.A. (N. J.).

James Addison, auditor, Franklin Railway Supply Company; C. W. Dietrich, general secretary, M. S. Tuttle, B.S. in Econ., educational director, and E. A. Malmquist, B.S., assistant educational director, Brooklyn Central Y.M.C.A.; F. P. Lamphear, educational director, and A. H. Armstrong, A.M., assistant educational director, Twenty-third Street Y.M.C.A.; H. A. Cozzens, general secretary, and H. A. Townsend, A.B., educational director, Newark Y.M.C.A.; Frank L. Bailey, Julia Richman High School; A. G. Belding, C.P.A., High School of Commerce; G. S. Blakely, A.M., principal, Evander Childs High School; W. A. Brown, A.B., educational director, New York Chapter, American Institute of Banking; Lewis Carris, LL.B., A.M., and A. B. Meredith, A.M., New Jersey State Board of Education; J. D. Dillingham, Ph.D., principal, Newtown High School; J. H. Grotecloss; W. M. Jackson, assistant educational director, National City Bank; E. R. Von Nardroff, D.Sc., principal, Stuyvesant High School.

E. E. Ferris, sales manager, Phenix Cheese Co.; Richard FitzGerald, C.P.A., comptroller, Marden, Orth & Hastings; E. W. Given, Ph.D., chairman, Educational Committee, Newark Y.M.C.A.; A. R. Grow, actuary, New York Life Insurance Company; P. W. Henry, C.E., vice-president, American International Corporation; Luther Hill, LL.B., and A. L. Taylor, A.B.,

LL.B., Pace Institute, Boston; F. W. Lafrentz, C.P.A., president, American Surety Company; D. A. McMillan, LL.B., Central High School, Newark; H. M. Maxson, B.Pd., principal, New Jersey State Normal School; C. A. Mayo, Ph.M., editor, *American Druggist*; C. E. Meleney, Ph.D., associate superintendent, Board of Education, New York; Holmes W. Merton; W. S. Morgan, C.P.A. (Mass.), director, Pace Institute, Boston; J. G. Olmstead, A.B., vocational director, Providence Y.M.C.A.; F. P. Pitzer, welfare director, Equitable Life Assurance Society; L. E. Pratt, A.B., of Lewellyn E. Pratt, Inc., advertising consultants; G. J. Raynor, A.M., assistant principal, Commercial High School.

C. H. Schnepfe, Jr., C.P.A. (Md.), director, Pace Institute, Baltimore; E. E. Scott, auditor, Equitable Life Assurance Society; F. H. Sillick, comptroller, Hudson & Manhattan Railroad; C. M. Smith, coördinator, Board of Education, New York; Miss Lillian M. Smith, A.B.; W. B. Symmes, Jr., A.B., LL.B., of Davis, Symmes & Schreiber; Joseph Tausek, welfare director, Western Union Telegraph Company; J. L. Tildsley, Ph.D., associate superintendent, Board of Education, New York; I. W. Travell, principal, Ridgewood (N. J.) High School; A. C. Vinal, B.S., general supervisor of traffic, American Telephone and Telegraph Company; Miss Amy Weaver, office manager, Robert H. Ingersoll & Bro.; J. C. Penney, president, J. C. Penney Company, Inc.

SOMETIMES compromise is a wise means of avoiding conflict. At other times a proposed compromise is like a half-frozen river, which you can neither boat, nor swim, nor walk, nor skate across. When any nation offers America such a compromise for a clear right of way, there is but one alternative. America has taken that alternative.

OF all the causes leading to reformation in international law, Kent ascribes the most weight to the intimate alliance of the powers as one great Christian community. "The influence of Christianity was very efficient toward the introduction of a better and more enlightened sense of right and justice among the governments of Europe. It taught the duty of benevolence to strangers, of humanity to the vanquished, of the obligation of good faith, and of the sin of murder, revenge, and rapacity." International law is simply a manifestation among nations of the ideals of Christianity.

Enthusiasm lends ball-bearings to day's labor.

Lewellyn
E.
Pratt

THE name of Lewellyn E. Pratt and the history and the development of the Advertising Club movement in America are inseparably linked together. Mr. Pratt, for seventeen years, has had a definite and a highly productive part in shaping the methods, the principles, and the ideals of advertising in its scientific relation to all aspects of business. To-day his status in the national advertising field is admittedly that of expert counselor.

Mr. Pratt was born in Oakland, California, forty-five years ago. He was educated at the Columbus, Ohio, high school, at Ohio State University, and at Williams College, from which he was graduated, in 1894, with the degree of A.B. After teaching for three years in the Central High School at Columbus, he went into the advertising specialty business in which he has been engaged ever since. He is now the president and treasurer of Lewellyn E. Pratt, Inc., New York—a firm which renders sales-counsel service to advertising specialty manufacturers throughout the country.

During his many years in the advertising business, Mr. Pratt has taken an active part in promoting the interests of the advertising brotherhood throughout the United States. He has served on the National Educational Committee of the Associated Advertising Clubs of the World since its establishment, and three years ago became its chairman. For one year he was a member of the National Executive Committee. He is treasurer of the Advertising Club of New York, and has been a member of the National Advertising Commission since its beginning. He is chairman of the National Program Committee, which is now building the program for the convention to be held in St. Louis in June of this year.

Mr. Pratt's most far-reaching work has been done in connection with the Educational Committee already mentioned. This committee found its origin in the resolution adopted at the Omaha Convention, in 1910, to give advertising clubs work all the year round. The committee was divided into six subcommittees: one on colleges and universities, one on schools and Y.M.C.A.'s, one on publications, one on club programs, one on lectures, and one on libraries.

The Committee on Colleges and Universities has already helped to organize classes in advertising in eighteen colleges and universities. These classes have, for the most part, been highly successful.

The Committee on Schools and

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Y.M.C.A.'s has done the same in about one hundred schools and Y.M.C.A.'s, working in close coöperation with the International Educational Committee of the Y.M.C.A. Eventually, this educational work, which is now reaching standardized form, will result in the bestowal of a certificate of value upon all who have passed successful examinations.

The Committee on Publications has brought out seven books: "Advertising as a Business Force," by



Lewellyn E. Pratt
Advertising Counselor

Professor Paul T. Cherington, of Harvard University; "Selling the Consumer," by John Lee Mahin, president of the Mahin Advertising Agency, New York; "The New Business," by Harry Tipper, advertising manager of The Texas Company, New York; "The Manual of Successful Storekeeping," by W. R. Hotchkiss, formerly sales manager of Wanamaker's; "Ben Franklin—Printer," by John C. Oswald, president of the Oswald Press, New York; "We," by Gerald Stanley Lee, the Philosopher of Mt. Tom; and "Awakening of Business," by Edward N. Hurley, chairman of the Federal Trade Commission, Washington.

The Committee on Lectures has organized the Stockdale Lectures

for retail merchants. Frank Stockdale, under the direction of this committee, has organized merchants' institutes and, for the past three years, has addressed groups of merchants throughout the country, making three trips from coast to coast. During the first week in March, he delivered a series of five lectures before the Advertising Club of New York. These lectures deal with the fundamentals of merchandising, advertising being treated only incidentally as it serves the retail merchant and the ultimate consumer.

The Committee on Libraries, under the guidance of John Cotton Dana, has worked for business branches of public libraries, and has aimed to introduce such branches to business men as money earners for them. Last year this committee published a catalogue called "1600 Business Books," which was the most complete thing of its kind ever attempted.

The subcommittee chairmen working with Mr. Pratt in this ambitious campaign of advertising education are: Publications—H. S. Houston, vice-president of Doubleday, Page & Company; Colleges and Universities—Professor Paul T. Cherington, Harvard University; Y.M.C.A. Schools—Edwin L. Shuey, of Lowe Brothers Company, Dayton, Ohio, and a member of the International Educational Committee of the Y.M.C.A.; Club Programs—Professor J. B. Powell, of the University of Missouri; Lectures—Professor Ralph Starr Butler, of New York University; Libraries—John Cotton Dana, librarian of the Free Public Library, Newark, New Jersey.

The comprehensiveness of the course in advertising which Mr. Pratt and his Committee on Schools and Y.M.C.A.'s have worked out for those who wish to take up advertising as a profession, may be gathered from the following standardized outline: The Advertising Field; A Brief History of Advertising; The Ad Writer and His Work; How to Lay Out an Advertisement; On the Use of Illustrations; What You Should Know About Paper, Type, and Ink; How to Advertise a Retail Business; Department Store Advertising; Problems of the General Advertiser; Selling Goods by Mail; Fakes and Follies of the Ad Field; Functions of the Advertising Agency; The Advertising Solicitor; Canvassing the Field; Closing the Contract; The Advertising Manager; Newspaper Advertising; Magazines as Business Builders; When

Who's
Who

Biograph-
ical
Sketches
of Men of
Affairs



O behind the scenes of a corporation and you will find that the motives, good or bad, of the men in control find expression in corporate action. These motives may affect the general public, creditors of the corporation, or the relations existing among the stockholders of the corporation.

For example, take a president who controls a corporation which is approaching insolvency. He fears that he will lose his investment. In order to save himself, he arranges that the corporation shall buy a part of his stock. The result is that for his stock he receives a part of the assets of the corporation. If allowed to do this, he obtains for himself cash which should be available to meet the debts of the corporation.

Or perhaps the controlling stockholder is not satisfied with the profit-showing of the corporation. He desires to get some money on his stock. In view of the universal rule against the declaration of dividends out of profits, he attempts to gain the same end by selling a part of the stock to the corporation.

In both of these cases, it is assumed that there is no market for the stock, or that the controlling stockholder sells it to the corporation at a higher figure than would be possible in the market.

These examples raise the question: Can a corporation buy its own stock? Should there be no statute prohibiting the corporation from doing so, it is legal, according to the majority of courts, for a corporation to buy its own stock, provided the rights of creditors are not adversely affected. Sometimes, as in New York, there is a provision specifying that a corporation may acquire its own stock in payment of debts due the corporation.

**Re-
purchase
of
Capital
Stock**

A corporation may seek to reduce its capital stock, indirectly, by purchasing its own stock. Statutes usually limit the amount by which a corporation may reduce its capital stock. In New York, a corporation cannot reduce its capital stock, if the reduced capital is less than the amount of its outstanding liabilities. Should it appear that the purpose of the corporation in purchasing its own stock is to reduce its capital stock in any other manner than that prescribed by statute, the courts will interfere.

Sometimes the managers of a corporation, desiring additional capital, induce an investor to buy stock by promising that the corporation will repurchase the stock, at a given figure, if he is later dissatisfied with his investment. The Supreme Court of the United States, as well as

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state courts, hold that this agreement is good, as between the corporation and the stockholder, but that it is not good, should the rights of creditors intervene. Not every creditor may object to the purchase. Creditors at the time of the agreement to repurchase, or creditors subsequent to the time of the agreement, but prior to the repurchase, may object. However, the courts will not interfere with the transaction at the behest of creditors who extended credit after the repurchase had been made.

Some persons have reached the conclusion that a corporation cannot buy its own stock, because of a case arising in their experience in which it was not permitted. Others have reached the conclusion that a corporation may do so by reason of their knowledge of a case where it was permitted. This illustrates the danger of reaching conclusions on the basis of isolated cases. The confusion which has resulted from these hasty conclusions, may be removed by considering the circumstances of each case in the light of the rules above given.

SALES managers may let their enthusiasm to make sales override their discretion. One of the most efficient sales managers I have known increased the sales of a certain wholesale branch within a year three times the amount that had been sold by his predecessor. This sales manager was so anxious to move goods that he ignored the credit limitations established by the credit department of the organization. Some of the firms to which he had extended credit beyond the limit failed, with the result that the corporation dispensed with the services of its manager.

A sale is valuable to the business man only to the extent that it results in the receipt of cash. Therefore, any proposition which facilitates collection finds a hearty welcome in the business organization. One means being adopted by business men to solve this problem is set forth by Sherman P. Allen, assistant secretary of the Federal Reserve Board, in *The Nation's Business*, March, 1917, in an article entitled, "Acceptances—A Cure for Credit Complaints."

Although acceptances have only recently come into common use, they are a form of settlement long known to the commercial world. By an "acceptance" is meant a draft which the seller of goods draws on the purchaser, and which has been accepted by the purchaser. The purchaser accepts by writing the word "accepted" across the face and signing his name. The seller usually draws the draft in favor of a bank. This

Trade
Acceptances

form of acceptance is a trade acceptance. In the case of a banker's acceptance, the buyer draws upon the bank with which he has arranged

for credit, making the draft payable to the seller. The bank accepts this draft and it is accordingly called a "banker's acceptance." Generally speaking, a banker's acceptance is much more desirable to the seller than a trade acceptance.

Mr. Allen sets forth various economic benefits of the acceptance. I shall first quote the summary contained in his article, and then add certain legal advantages which flow out of settlement by acceptances as against the use of the open account. Mr. Allen's summary is:

The trade acceptance is of benefit to the seller because—

It completes the transaction, joining the payment with the shipment or invoice.

It eliminates open book accounts, and substitutes bills receivable, or actual cash from discounted bills, in the assets of the seller.

It gives to the seller additional credit facilities, in that such business paper, discounted, does not necessarily count in the amount of credit extended or authorized.

By reason of its "double name" aspect, it has a broader and better market, and lessens interest rates for the seller.

It assures promptness and avoids unjustified extensions.

It promotes economy and efficiency of operation by establishing coöperation.

Acceptances are advantageous to the purchaser—

In eliminating open accounts.

In closing the transaction, at the time of purchase.

In facilitating adjustments and settlements.

At one point in the article Mr. Allen states that: "What has been an oral agreement evidenced by entries on the seller's books can, by use of the acceptance, be put into negotiable paper, available for discount at the seller's bank." Although I do not assume that Mr. Allen intended this to mean that all open accounts are based on oral agreements, nevertheless, the reader of the article might so construe the statement. Open accounts are, of course, quite frequently based upon written agreements between the seller and the buyer, which specify the price and the terms of sale. Nevertheless, from a legal point of view, the seller is in a much more advantageous position if he receive negotiable paper than if he depend upon an open account. Without going into the intricacies of legal procedure, I may say that in a court the seller has an easier burden of proof to sustain if he sues upon a negotiable instrument than if he sues upon the contract out of which an open account

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arose. Furthermore, the same questions are not likely to be raised as to the amount involved, since negotiable paper is, for most pur-

poses, an admission by the debtor of the accuracy of the amount.

An idea of the increasing popularity of this form of settlement may be obtained from figures given by Mr. Allen to the effect that the Federal Reserve Banks, in 1916, purchased acceptances to the amount of \$385,915,973, an increase of \$321,070,973 over the year 1915. Credit managers and others interested in facilitating collections will do well to investigate this new method of effecting settlements.

SOME men like to move for the sake of moving. Direction is a secondary consideration. In-
Not infrequently they indulge their desire for definite
motion in the guise of a contract. You read it Contracts
and reach the conclusion that the parties wanted
to agree to something, but you cannot recognize
the something. Between the lines there
is spelled in large letters the one word—
INDECISION.

Courts refer to such a writing as being "vague and uncertain" as to its terms. Unless they can determine what rights are conferred upon the parties, and what obligations are imposed, the supposed agreement is declared void. Allowing for the shortcomings of human nature, courts will, if possible, arrive at a definite meaning of the words used. The more nearly the writing approaches certainty and definiteness, the more likely that no excuse will be afforded a party to break the agreement.

A case in point, although holding the contract to be certain, was decided by the Appellate Division of the New York Supreme Court, February 23, 1917. The plaintiff had agreed to buy, and the defendant to sell, molasses, for three years, in amounts from 3,000 to 12,000 tons each year. This paragraph was in the agreement:

"The times of delivery are to be arranged from time to time between buyer and seller, who pledge themselves to mutual aid."

The defendant argued that this provision left undetermined and open for future arrangement the particular dates upon which separate deliveries were to be made, and therefore failed to express an essential element of an enforceable contract for the sale of goods. It was also maintained that the writing was merely a memorandum of an agreement to enter into a contract in the future.

After reviewing the contentions of both sides, the court held, that there was an absolute obligation upon the part of the defendant to deliver

WILL you kindly inform me through your Magazine as to the Journal entries that should appear upon the books of A and B, covering the following proposition: For the purpose of erecting an apartment house, A and B purchase a piece of property subject to a five-year lease held by C. To induce C to relinquish his lease, they agree to pay him \$10,000 in cash and to give him free a five-year lease in the new building when completed. This lease would represent a rental value of \$1,200 a year, or \$6,000 for the life of the lease.

A A capital asset should be recorded at its cost. The property in the case given cost \$16,000—paid, \$10,000 in cash, and \$6,000 in renting values. The entry, therefore, should set up the cost of the asset on the one hand, and credit Cash for the amount paid out, and a rent liability account for the remaining \$6,000 on the other hand. The entry follows:

	Dr.	Cr.
BUILDING ACCOUNT ..	\$16,000	
To CASH		\$10,000
“ PREPAID RENT		
(5 years)		6,000

So far as the operating accounts of the building are concerned, it would be necessary each year to debit Prepaid Rent with the yearly rent of \$1,200, and credit Income. The amount of the income thus secured would be sunk in the Building Account and would not be available for dividends unless there were free assets in the building company. In many instances, a corporation with a surplus uses a part or all of its profits in making additions to its capital plant, and the surplus is thus impounded and is not available for dividends. In the case of the building company, a similar condition exists by reason of the transaction, although the amount is capitalized in this case before its receipt in the form of income. It is possible, of course, that sufficient capital was contributed in the building company to offset the liability on account of prepaid rent, in which case it would be available for dividend purposes as earned.

The foregoing treatment is the one usually accorded in practice, although scientifically the value of the \$6,000 lease is not \$6,000, but the present worth of that sum calculated at some accepted interest rate for the time given.

Q In your opinion, should interest on capital invested be included as an element of cost? If so, what rate would you use in figuring this theoretical interest, and how would it be handled on the books?

Interest on capital is not outgo or cost in the strict accounting sense of the term cost. While it is true that capital is essential to production, **A**

and the use of capital always has a worth, the value of that worth is dependent upon fluctuating conditions in respect to security, convertibility, and demand—conditions that cannot be stated with exactitude in respect to any particular manufacturing operation. The calculation and distribution of interest to product, therefore, is a statistical matter based on some assumed rate of interest arbitrarily fixed. Statistical calculations of this sort should rarely, if ever, find their way into systems of accounts, which preferably should deal with specific facts in respect to expenditures and income.

The profits of a partnership, it should be remembered, consist of the returns secured for the time of the partners, as well as for the use of their capital. Therefore, partners' salaries, so called, are merely a portion of the returns or profits secured for both time and the use of capital. In a corporation, net profits are the returns for the use of capital, the salaries of corporation officials and employees being in the nature of expenses. In either event, when an amount is arbitrarily apportioned on the basis of a selected interest rate as a return for capital, the process amounts merely to making a division of the profit return—a part being in the nature of a so-called interest return for capital, while the remainder is called profit.

A manipulation of this kind is purely statistical. It is not entirely without value as a statistical expedient, and its use is sometimes urged for the following reasons:

First, that, in obtaining a cost for pricing, the cost should contemplate an interest return on investment, so that minimum prices at a fair return of profit may be ascertained.

Second, that localizing interest costs as to given departments enables the management to ascertain whether it would be more profitable to buy the materials manufactured in those departments or to continue their manufacture. In other words, if the return is not above the interest rate charged, it might be more economical to buy the parts than to manufacture them.

Third, that estimated interest upon an increased investment in labor or material-saving machinery should be charged, so as to ascertain whether the saving warrants the additional investment of capital necessitated.

In our judgment, however, the foregoing results can be accomplished as a matter of statistical calculation carried on quite aside from

the books proper. Further, in our judgment, the costs of production as stated in the books of account should be kept quite free from statistical calculations involving arbitrary distinctions that divide net profit returns.

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(Continued)

Q In the case of a sole ownership of a business, is it good accounting practice to charge salary for the owner-manager who is devoting his entire time to the business?

If no salary is charged, would the income account reflect the true earning capacity of the investment?

If a salary is charged, what ratio should it bear to the gross profit on operations?

A The net increase of assets resulting from the operation of a business organization, in which are combined capital and effort, is known as "Profit" and belongs to the proprietorship of this business. The proprietor, of course, has the right to call this profit by the name of "Salary," or by any other name he may choose to use, but that does not prevent it from really being profit.

Salary paid to others, outside of the proprietorship, constitutes a legitimate expense of the organization and reduces the amount of the Net Profit to the proprietors. Salary to the proprietor, however, does not reduce the amount the proprietor receives as the result of his combination of capital and effort, but instead, is only a partial payment to him of the profits resulting from such combination. Therefore, it is not considered good accounting practice to charge his salary as an expense of the business.

In practice, owners frequently do charge a salary, but it should be considered as an apportionment of Net Profit rather than as an expense reducing the amount of Net Profit.

Q The writer would like information about what is called "No Par stock."

(a) What are the advantages of stock of this kind?

(b) How is the market price (the price at which the corporation sells it) determined?

(c) How is it handled on the Balance Sheet?

(d) Are many corporations issuing stock of this kind?

(e) How recent is it?

A The first question as to the use of stock of this kind must be answered by the statement that it depends upon the objects of the corporation itself. Cook, in his work on "Corporations," states that this statute is of "doubtful utility." Par value gives no indication of the actual value

of stock. From an accounting point of view, the value of a share is that proportion of the net corporate asset value which each share bears

to the total number of shares issued. There is, therefore, a difference between the par value of stock and its actual value. Nevertheless, a statement of par value may mislead uninitiated investors as to true value. As a consequence, students of finance have recommended the adoption of statutes providing that stock shall have no par value, but that each share shall show merely the proportionate interest of the stockholder in and to the contributed capital.

The New York statute provides that the certificate of stock show: first, the total capital stock of the corporation; second, the total number of shares that may be issued as to such capital stock; and third, the number of shares represented by the certificate. Each share must represent contributed capital in an amount not less than \$5, but not in an amount more than \$100. The capital of the corporation must at least be \$500.

The price at which the corporation issues it must be equivalent to the value of the proportionate share. In other words, if the capital be \$10,000, and there be 1,000 shares, the shares must be issued on the basis of a valuation of \$10 each.

Inasmuch as no corporation may declare dividends out of the contributed capital, it is advisable to state such contributed capital as a separate item on the Balance Sheet. Surplus or deficit covering variations would afford the balancing accounts.

There are not many corporations issuing stock of this kind. However, we find that some mining companies have resorted to it recently.

The New York statute on the subject was enacted in 1912. We made an examination of annotated laws to include 1916, but no cases are cited therein. This would indicate that the statute has not been extensively used to date.

A contracted with B for the charter of a steamship for a period of five years. At the end of the first year the British Government commandeered the steamship. Does this serve to end his contract, or has he still an interest in the steamship? In the event of the British Government paying a higher rate for the use of the steamship than A agreed to pay under the time charter, is A entitled to receive the amount of such excess as a profit accruing to him in the transaction, or does such excess rightfully belong to the owner of the vessel?

On December 11, 1915, an English court A

Edward E. Loomis EDWARD E. LOOMIS, the new president of the Lehigh Valley Railroad, is another of the many present-day executives who have worked themselves up from humble beginnings. His beginning in the railroad world was very humble when you consider that once his monthly check from the Erie Railroad was for only sixty-five dollars.

Mr. Loomis's father was wealthy, but he did not propose to spoil his son with too much money or too many "soft jobs." He prepared his son to the best of his ability for the fight ahead of him; then he sent him forth to stand or fall by his own efforts.

Mr. Loomis's first position in the East was with the Erie Railroad, although he had done some work in the West in the legal department of the Denver & Rio Grande. From New York he went to Elmira to take charge of a division. Here his resourcefulness and energy began to assert themselves. Certain old-timers resented having such a young man put over them and showed their disapproval in no uncertain manner, but Mr. Loomis always succeeded in turning the tables on them and in such a way that they never bothered him again.

He is reported to have said once to an engineer who had purposely lain down on the job: "Maybe you don't realize who is superintendent of this road. As long as I have that title I'm going to be superintendent, and the next time you run a train like that with no good explanation, I won't wire you to come back; I will discharge you by wire. Any man who is loyal will be sure of a square deal from me. Any man who isn't loyal has no place on this road. All I ask for is loyalty."

Mr. Loomis soon became general superintendent of the New York, Susquehanna & Western Railroad, and from that time his rise was very rapid. He studied coal, especially anthracite, until he became an expert. For that reason, in 1899, W. H. Truesdale, president of the Delaware, Lackawanna & Western Railroad, chose him to manage the Lackawanna Coal Company. In 1902, Mr. Loomis was elected senior vice-president of the Lackawanna railroad. This position he held until he assumed the presidency of the Lehigh Valley Railroad a short time ago.

Mr. Loomis will bring to his new position a wide and successful experience. His great industry, ability, and aggressiveness are bound to have an effect on the policy and

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development of the railroad interests of the country. His attitude toward the railroads and their relation to the public is best summed up in his own words:

"A railroad or any other corporation is not a fleshless machine. It is made up of men, with men's good qualities and men's faults. From the highest position to the lowest, the men employed by a railroad are that railroad, and the public should realize this."

ALFRED SODERBERG, Accountancy Institute of Brooklyn, has severed his connection with the A. H. Hull Steamship Company to enter the employ of Henry Peabody & Company.

LOUIS SEVRIN, Newark School of Accountancy, has been employed as bookkeeper by the Popular Motor Car Company. Mr. Sevrin was formerly with the Sackett & Wilhelm Company.

MISS MARY SHANLEY, Pace Institute of Accountancy, who was formerly in the accounting department of Bedell & Company, has been employed as bookkeeper by the Bentley-Franklin Company.

GEORGE F. RUPPERT, Pace Institute of Accountancy, has been engaged as bookkeeper for the Moore Press. Mr. Ruppert was formerly employed by the Prang Company as head bookkeeper.

WILLIAM R. LITTLE, Washington School of Accountancy, formerly on the staff of Haskins & Sells, has accepted the post of private secretary in the employ of The General Optical Company.

CHARLES H. SAMMOND, Accountancy Institute of Brooklyn, has severed his connection with the Victor Machine Company to accept a position in the accounting department of The Southern Export Corporation.

LEROY W. DEFENBACH, Pace Institute, Extension Division, has accepted a position in charge of the office of the Salmon River Stores Company, Ltd., at Whitebird, Idaho. This company operates three supply stores in central Idaho, and has other large interests.

to Use Trade and Class Papers; Street Car Advertising's Appeal; Outdoor Advertising; Circulars, Booklets, and Catalogues; Letters, Novelties, Follow-up Schemes, Tracing Results; Truth in Advertising. (Continue)

The educational work of the Committee on Club Programs, as explained in their printed syllabus, is also of the most practical kind. Emphasis is laid upon a retail study, round table, and lecture course.

"The retail course is intended particularly for retail store proprietors, and is designed to meet the principal needs of those who can give only a limited amount of time to the planning and preparation of their advertising, and who need better knowledge of the broad fundamental conditions affecting advertising and affected by it, rather than a detailed knowledge of its technique."

In the carefully worked-out program of this committee, definite suggestions are advanced as to reading, the securing of speakers, the methods of organizing clubs and conducting meetings, subjects for discussion, and the like. Supplementary educational courses, among them courses in salesmanship and public speaking, are also made available.

The advertising men of the country have long been known as "live wires." This fundamental quality of "liveness" they have carried into their educational work, the results of which, in amount of work done and in quality of attainment, are making a deeper and deeper impression upon the business consciousness of the community, state, and nation.

The influence of this enthusiastic service by the "Ad men" has been unqualifiedly wholesome. Through their efforts, higher standards of business have been set and realized. Knowledge of what business fundamentally means has been widely disseminated. Opportunities for success in business have been thrown open to countless numbers of young men of the right stripe. Truth and honesty have been enthroned as the basic qualities of business success, as well as of personal character.

To this far-reaching educational work many business men of high standing, pressed hard by the duties of their personal interests, have freely given of their time, their energy, their money, and themselves. A high sense of service and far-sighted vision belong to them all, but to no one more than to Lewellyn E. Pratt, their spokesman and their servant, and the country's as well.

(Continued)

the molasses; that it was not a contract to deliver only in the event that the parties agreed upon special dates. The clause as to dates, according to the court, was only a minor and non-essential detail of delivery.

Although the court upheld this agreement, the decision was not concurred in by all the judges. Of the five judges who heard the argument, three considered the agreement enforceable, and two regarded it as not enforceable.

Even though the plaintiff was sustained in this case, he was put to the trouble of a lawsuit, in order to establish his claim. Had the contract been more definite, as to the dates of delivery, the question would not have arisen and the transaction would probably have been completed without litigation.

Courts are called upon to decide numerous cases like that above. Two types of contracts, illustrative of the line of demarcation, are those which state "not more than" a given amount, and those which state "not less than" a given amount. Courts hold the first type as being too indefinite for enforcement and the second type as being definite to the extent of the minimum amount specified.

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Among clauses held to be uncertain are: "to fairly share in commissions"; "to convey 70 acres of land" without describing them or designating the place; a promise to accept a note without specifying terms; a promise "to start a man in business"; a promise to allow a tenant, under a written lease, to occupy a building "until torn down"; a promise to rent premises at the same rent as could be obtained from other parties.

My examination of the cases indicates that uncertainty does not arise exclusively from the desire of a party not to commit himself. Most of them arise from carelessness or from a desire to complete a negotiation before the parties have reached a definite agreement. There are some instances wherein a certain amount of latitude may be desirable. In these instances it is always advisable for the parties to consult a capable attorney before making the contract. These are exceptional, and, as far as possible, the attempt should be made to have a specific and definite agreement.

(Case reviewed, *Spiritusfabriek Astra of Amsterdam vs. Sugar Products Company*, 163 N.Y.S. 516.)

KARL K. CLAY has accepted a position with Baker, Sutton & Harrison, accountants and production engineers.

ROBERT L. DIGGS, Pace Institute, has recently joined the staff of W. W. Tait & Company. He was formerly on the staff of Haskins & Sells.

JOHN H. CRIPPEN, Pace Institute, has severed his connection with The General Electric Company to accept a position with Jardine Matheson & Company.

ALBERT WOHNHAS, Pace Institute, Extension Division, has recently accepted a position as bookkeeper with the Edward Langer Printing Company, Inc., 468 West Broadway, New York.

JULIUS BAER, New York Institute of Accountancy, has entered the practice of public accounting on the staff of the Stratford Audit Company. Mr. Baer was formerly employed by the Anglo-Mexican Petroleum Company.

Productive Summer Study

For Accountants and Business Men

IN many Organizations the busiest period of the business year occurs between January and June. This is especially true in the offices of Certified Public Accountants.

IT follows, therefore, that many Senior and Junior Accountants must plan for their professional educational training in the summer months. Office executives of many Commercial and Industrial Corporations also have more time available for study after June 1st.

DURING the entire year Pace Institute provides instruction in Accountancy and Business Administration, English, and Public Speaking. The summer resident classes at 30 Church Street, New York, are available to persons in the Metropolitan District. Outside of New York, summer instruction is conducted through the mails, under the direction of the Extension Division of Pace Institute.

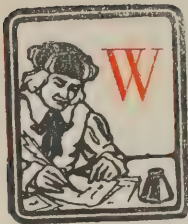
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Sarcasm

HY, Mr. Office Manager, Mr. Instructor, Mr. Business Associate, do you use sarcasm in your conversation with me, your subordinate, your pupil, your comrade in the shoulder-to-shoulder fight for organization achievement? Mr. Office Manager, you need my loyalty and my cooperation; yet your sarcasm makes me, behind your back, disloyal to you and at loggerheads with your policies. Mr. Instructor, you know that, in order to educate me, you must help me to develop and express that which is mentally within me; yet your sarcasm drives me back into myself and inhibits me from self-expression, while I either openly resent your rapier tongue or cower before you in fear of it. Mr. Business Associate, you seek and must have my liking and my respect in order that we may work together for the attainment of our common commercial purpose; yet your sarcasm makes me dislike you and gloat at the coming of the day when I can belittle your work and humiliate you.

Why must—rather, why does—sarcasm find any place whatsoever in our fellow-to-fellow communications of tongue or pen? Sarcasm is the verbal weapon of little minds which misread passing authority as abiding greatness. Sarcasm is selfishness in speech, uncontrolled and misdirected. Sarcasm is a venomous poison, which, like all poisons, should be used, if used at all, with gingerly care, and only when the ailment to be cured will yield to no other known corrective. Sarcasm blights, burns, and withers whatever and whom-ever it touches, like the blinding sand-storms of the desert. Sarcasm breeds dissatisfaction, disgust, despair, and hate—corroding acids that sooner or later disintegrate the desirable organization results that only joint human endeavor, operating as a cohesive unit, can conceive and realize.

Keep sarcasm out of your speech—to-day, tomorrow, for all time. Instead of the sour sneer, give us, your fellows, the irradiating smile; instead of words that scorch and lash, give us words that cheer, and encourage, and stimulate; instead of petulant fault-finding with our short-

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comings, give us patient counsel. It is out of these things that the spirit of human brotherhood is born—the spirit that makes for common prosperity and common happiness.

DID you ever play golf with him—the roving-eyed chap who, between holes, tells you what he sells and how he sells it, with the implication that you and your organization could do worse than join his list of preferred customers? Or maybe you have run into him at the club, whither you have repaired after a hard day's work for a quiet game of bridge or billiards. What a bore, a pest, a scourge, he is—this peanut-brained creature who loudly proclaims in voice, gesture, and attitude, "I'm out for business first, last, and all the time!"

Deluded mortal, he knows not that all things have their times and places. He joins all the societies, clubs, and social and fraternal organizations within reach, not because he likes his fellows and wishes to hobnob with them in a purely social way, but because he hopes and expects to twist business out of them. The psychology of selling has no meaning for him; and as for the ethics of it, he has never heard the word. And so he blunders on, making acquaintances only to turn them into secret enemies, and all because he is a crude trader in social contracts.

Be social all you please; associate intimately with others of your kind whenever and wherever you can; make as many friends as possible, by means of the generous out-giving of your personality, but forget business for a while, as much for your own sake as for the sake of others, since by forgetting it you are, paradoxically enough, likely to secure it. There is such a thing as disinterested sociability. Seek it, find it, practice it!

"I GUESS I'm too individualistic," he replied to my question as to why he, a man of thirty-five, with wide business training and unusual analytical ability, should be seeking the services of our Placement Bureau for the third time within a year. "If I see things I think are wrong, I speak about them and try to correct them. I'm naturally a good deal of a fighter."

Forgetting Business

THE PACE STUDENT

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Interpreting
the Purpose, Spirit, and Needs
of Modern Business*

Published Monthly

*Subscription Price \$1.00
a Year, Payable in Advance*

PACE & PACE, Publishers

*30 Church Street
New York*

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Too Individualistic

"And a good deal of a fool," I supplemented, for I knew him well. "You think that your way is the only right way. If others do not do as

you want them to do, you make yourself a nuisance, and after a while you find yourself looking for another job. The trouble with you is that you have never learned the meaning of co-operation, of team-work—the loyal and courageous submergence of yourself as an individual for the good of the organization as a whole. You should be running a little corner-grocery store somewhere; you're out of place in a modern business organization where 'all together—now' is the dominating spirit."

"I guess you're right," he replied, ruefully. "Get me another position and I'll pull with the rest, not against them."

We have secured him the third chance that he sought. I hope, for his own sake, that he has really got rid of his shallow notions of preserving his "individuality" as a thing apart from organization team-work. If he hasn't—well, I won't bother with him a fourth time.

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difference what the provocation may be."

True words! Negotiation constitutes four-fifths of Modern Business.

Either we are constantly trying to get others to do what we desire, or others are trying to do the same with us. Mind is ever in contact with mind, differing with it or agreeing with it. The hope of personal advantage is ever-present—a fact which means that there must be yielding and concessions on both sides, and the spirit of give and take. Often, into negotiations, swinish selfishness and blind-eyed obstinacy creep—usually, of course, on the part of the other fellow. Then it is that your gorge rises and you feel like "saying things." Don't do it! Keep your head, and fix your mind on the single purpose you have in view—it's your only chance of realizing that purpose.

EVERYTHING you do gives off an atmospheric expression of yourself as an individual. This atmosphere enwraps your thoughts in conception and in realization. It comes out of the spirit in which you view and do your work. If you are a time-server, a shirker at heart, a believer in the other fellow's "pull," a sullen cynic as to yourself and your opportunities, the atmosphere that radiates from you depresses you and deadens the organization esprit de corps. If, however, you joyously believe in yourself, your job, your future, your associates, your concern—and if you evidence that belief in facial expression, speech, and action, the atmosphere that comes from you sweetens and seasons the human spirit needful to keep all parts of the organization machine working together in harmony of purpose and method.

Your Atmosphere

Follow it Through **I**F you are a tyro at golf, the expert will tell you to keep your eye on the ball and, in making a stroke, to "follow it through." You are thus admonished in order that you may, sooner or later, acquire freedom of swing, develop a sense of direction and distance, and make each stroke count for every true golfer's *summam voluptatem*—a low score. It is hard to get—this faculty of "following it through"; but, when once acquired, what ineffable satisfaction springs to life in the golfer's breast!

It is just so in the commercial world. There are plenty of men who would play the business game expertly; men whose stock of mental clubs and irons is complete; men of doughty purpose to make every putting green with ease and dispatch; men to whom the joy of a low score is dear. But they drive into bunkers and hazards, and they either quit the course in disgust, or pay for their lack of skill in money, wasted energy, or nervous breakdowns. Their stroke is uncertain and choppy; they do not "follow it through." Look ahead, young man, when you tee the ball; then swing lustily, but in the right direction. Gauge your stroke, and "follow it through."

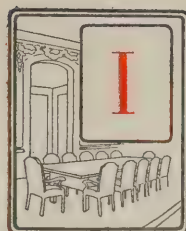
Negotiation **"I**N negotiating you can't afford to be thin-skinned," said a highly successful organizer and promoter to me recently. "The man who permits himself to get angry or even to show irritation loses the thing he is after. It makes no

WHAT percentage of your real ability, your brain power, your time, your thoughts, are you using to accomplish the definite task it is your business to accomplish? Concentration is the secret of power. That man accomplishes the most who is able to concentrate the full power of his abilities upon a particular objective at a certain, definite, psychological time. As the burning glass concentrates the rays of light into an irresistible fire, so the will-power, by concentration, can center our activities upon a given point until every obstacle is burned away, every difficulty is consumed or overcome, and the task is accomplished.

Concentration

Don't overdraw your account at the Bank of Vitality. It will injure your mental credit. Keep your deposits of sound sleep and wholesome exercise ahead of your drafts for heavy working hours.

Elmer
O.
Stevens,
C.P.A.



IN the April issue of The Pace Student we considered the financial condition

of James MacFarland, and his effort to secure from his bankers a sufficient loan to enable him to handle, satisfactorily, a certain very favorable contract. This loan, the bankers did not feel justified in granting. At their suggestion, Mr. MacFarland decided to incorporate his business and offer shares of stock for sale. In this article we describe the procedures followed in preparing for this step.

During the six years James MacFarland had been in business, many financial transactions had occurred. Checking every entry recording these transactions would have entailed considerable labor without throwing much light on the earning capacity, or the existing financial condition of the business. Those matters to which special attention should be given in the investigation, were discovered in making the examination preliminary to the certification of his Balance Sheet as at December 31, 1916. Among these were errors in the pricing of inventories; the charging off of insurance premiums and interest when paid; failure to make provision for depreciation of buildings; and failure to charge off losses due to bad debts.

Time and labor were saved by taking systematic steps in the investigation. The first step was to prepare a separate schedule, in running form, of the profit and loss items for each of the six years. On each of these schedules, columns were provided as follows:

Classification
Amounts
Detail
Total
Adjustments
Increases
Decreases
Adjusted Amounts
Detail
Total

Profit and loss items as recorded in the books were entered in the amounts columns. Adjustments, representing either increases or decreases, were placed in the pair of columns headed "Adjustments." The corrected amounts were then placed in the columns headed "Adjusted Amounts."

The main items were entered in these schedules. The explanation of these main items will

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be first given and then the manner in which each was verified will be considered.

Product Sold was entered first, and Cost of Product Sold was deducted to show Gross Profit. The expenses of conducting the business other than manufacturing expenses, but not including interest paid for borrowed money, were displayed next in order and deducted from Gross Profit to show Profit from Operations before deducting Interest and Depreciation. From this amount, interest was deducted and provision made for the entering of adjustments necessitated by the failure to write off Depreciation. Finally, the amounts withdrawn by James MacFarland were deducted, leaving a balance which represented the increase or decrease for the year in his invested capital.

Bearing in mind the general procedure just outlined, let us consider more specifically each of the steps taken.

Product Sold was classified as to brick, tile, and miscellaneous. The original records were subjected to a general examination to discover errors that would materially affect the final results. In a few instances, errors in classification were detected and adjusted, but no serious differences were discovered.

To find the Cost of Product Sold, it was necessary first to find the Cost of Product Manufactured in each of the years. This latter was made up of cost of materials and supplies used, wages paid to workmen, and manufacturing expenses. The accounts showing each of these items were carefully scrutinized; and the original records, such as invoices for purchases of fuel and supplies, the pay-rolls and time-records, and bills for expense items, were examined generally. Such errors as were detected affected the accounts as between years, in some instances, and in other cases items had been entered in the wrong accounts, thus being incorrectly classified in the books. The annual charge of \$100 in writing down cost of Stripping Clay Bed was treated as part of the cost of material. The depreciation of Wagons and Harness and Horse Equipment was included in Manufacturing Expenses.

The Cost of Manufacture being determined, the cost price of goods sold was ascertained by calculations based upon inventories. In some years, product on hand at the beginning of the year was greater than that on hand at the end of the year. For those years, the Cost of Product Sold was found by adding the difference in inventories to the Cost of Product Manufactured. In other years, product on hand at the end of the year was greater than that on hand at the be-

JAMES MACFARLAND

Statement of Profit and Loss for Six Years Ended December 31, 1916

	1911	1912	1913	1914	1915	1916
Product Sold:						
Brick	\$10,987	\$15,489	\$20,191	\$16,327	\$25,780	\$30,845
Tile	3,470	4,176	6,878	5,120	6,187	7,961
Miscellaneous	840	767	981	1,133	575	896
Total Product Sold	\$15,297	\$20,432	\$28,050	\$22,580	\$32,542	\$39,702
Cost of Product Sold:						
Materials and Supplies Used	\$2,873	\$3,587	\$3,973	\$3,699	\$4,266	\$4,835
Labor	4,967	7,120	9,876	11,183	10,997	15,213
Manufacturing Expenses	1,585	2,489	2,948	3,138	3,501	3,774
Cost of Product Manufactured	\$9,425	\$13,196	\$16,797	\$18,020	\$18,764	\$23,822
Inventory, Increase or Decrease	1,261*	363*	123*	2,470*	2,873	235*
Cost of Product Sold	\$8,164	\$12,833	\$16,674	\$15,550	\$21,637	\$23,587
Gross Profit	\$7,133	\$7,599	\$11,476	\$7,030	\$10,905	\$16,115
Expenses	1,321	1,470	1,581	1,693	1,789	2,165
Profit from Operation before deducting Interest and Depreciation	\$5,812	\$6,129	\$9,895	\$5,337	\$9,116	\$13,950
Deduct:						
Interest	\$1,161	\$1,250	\$1,380	\$1,575	\$1,635	\$1,960
Depreciation	1,250	1,340	1,380	1,480	1,480	1,608
	\$2,411	\$2,590	\$2,760	\$3,055	\$3,115	\$3,568
Net Profit	\$3,401	\$3,539	\$7,135	\$2,282	\$6,001	\$10,382
James MacFarland, Withdrawals	2,400	3,000	3,600	7,500	4,800	6,000
Increase in Investment	\$1,001	\$539	\$3,535	\$5,218†	\$1,201	\$4,382

* Increase in Inventory over preceding period.

† Decrease in Investment.

(Continued)

ginning of the year. For those years, the Cost of Product Sold was found by deducting the difference in inventories from the Cost of Product Manufactured. Special care was taken to correct the inventory valuations each year, as the method of pricing inventories at selling price less ten per cent. had been followed.

In the verification of expenses other than manufacturing expenses, care was taken to distribute properly the charges for Insurance Premiums paid as between years. All other items included under this heading were scrutinized. A few other adjustments were made, as between years, due to failure to enter liabilities and accruals in the books at the end of a year, which were paid in the subsequent accounting period.

The depreciation on Buildings, Kilns, and Machinery was apportioned, as between years, on the basis of the book value of these assets at the beginning of each year. The question may naturally arise, "Why was not the amount written off for depreciation on these assets included as a part of the Cost of Product Manufactured?" In a business where accurate and detailed cost records are kept, this method of charging depreciation is usually followed. In the case under consideration, no such records had been kept. The amount of depreciation written off was determined by an estimate based largely upon the condition of the assets after they had been in use several years. The depreciation which occurred was affected little, if any, by the volume of product turned out during those years. In order that the facts be displayed in the clearest possible manner, an effort was made to exclude from the Cost of Product Manufactured, in so far as was practicable, all charges which did not directly depend upon the volume of production.

Interest charges were found to have been entered when paid, regardless of the period in which they were accrued. The necessary adjustments were made to show interest charges in the years in which Interest had accrued. Interest was treated as a deduction, after showing net profit from operation, in order that prospective investors might better see the possible earning-power of the business.

The drawings of James MacFarland were shown for two reasons. One reason was to give some indication of the amount which the stockholders of the corporation might expect the expenses of the business to increase in the form of executive salaries. The other reason was that they might be able to form some opinion of the normal growth of the business during the

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years of its existence by having before them the net amount left from earnings after deducting withdrawals which, in the future, they could expect to find included in the expenses of the business.

It was found necessary to prepare an analysis sheet showing details of practically every item on the yearly schedules of profit and loss. The details of the adjustments were first entered on the analysis sheets, and only the net totals of adjustments carried to the schedules showing the profit and loss figures for the year. In each case, where corrections were made, a correcting entry was prepared with full details in the same manner as the adjusting entries prepared in connection with the financial audit.

The figures shown on The Statement of Profit and Loss for the Six Years ended December 31, 1916, which was prepared for presentation to the client, were taken from the last two columns of the schedules showing the yearly results.

Entries to record properly the financing and incorporation of James MacFarland's business, as suggested by the bankers, will be shown and described in the July issue of The Pace Student.

Do It Better

"It is evident to every thinking man that our industries, on the farm, in the shipyards, in the mines, in the factories, must be made more prolific and more efficient."

—From President Wilson's
War Message to the People.

In the present emergency there is one thing every man and woman can do—as a patriotic duty *should do*—and that is: *do the thing you are doing now, better.* There is one most effective way to increase your usefulness, and that is—*study; study the principles on which your work is based, and learn better methods.*

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handed down a decision, wherein it was held that the persons chartering the ship were entitled to receive from the Admiralty the compensation paid by the Government therefor, from which they were obligated to pay to the owners the amount that they had contracted to pay. In other words, the persons chartering the ship were entitled to the excess profit. Furthermore, the case held that the commandeering of the ship did not act as a termination of the contract.

If I may be permitted to express an opinion, this case is in accord with the fundamental principles of law. The right of possession was in the people who had chartered the ship; the right of ownership was in the owners of the ship. The British Government did not buy the ship, but merely commandeered the use of the ship—that is to say, the possession of the ship. Hence, the compensation should be paid to those who had the right of possession.

An entirely different question would have been raised had the Government purchased the ship outright.

BIG Business will welcome Government operation of industrial establishments, if the present emergency demands such action. Newspapers and periodicals are filled with offers to turn industrial plants over to the Government to meet any eventuality. That circumstances may justify public interference with property and individual rights is universally conceded. Aside from this transitory interest of the relation of Government to individual property rights, the question as it relates to public service corporations will occupy the attention of the public for many years. A. Lincoln Lavine, of the New York Bar, Instructor in the Pace Standardized Courses, contributes an article to *Case and Comment*, March, 1917, setting forth a novel interpretation of the relation between the public and modern public service corporations.

Mr. Lavine discusses: first, the justification for any public interference; and, second, the distinction between public regulation and public operation. His view of the question is broad, comprehending the extent to which the right of property should be exercised by private industrial organizations.

If the exercise of the right of property is completely or partially opposed to the public welfare, or if its exercise conflicts with a more imperative need that it be devoted

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to public use, Mr. Lavine maintains that public interference is justified in that degree necessary for public well-being. This interference, in the case of public service corporations, should not go to the extent of public operation, but only to the extent of public regulation. Direct exercise of the right of property by the State is not necessary to prevent abuse of the rights of property by individuals or corporations. Every interest of the public may be served by declaring the rules under which the right may be exercised. "The distinction is between playing the game and umpiring it." Too much regulation is condemned, in that it drives capital from the field and destroys that initiative, which, "properly directed is capable of making the exercise of property rights most fruitful to mankind."

Many attribute the curtailing of railroad investment to the over-regulation of railroads. Hence, there is a feeling upon the part of many public men that this has been carried too far. For these reasons, Mr. Lavine's article is of timely interest, and also suggests principles which may be accepted as a guide in determining the extent to which public utilities should be regulated.

PACE INSTITUTE'S Course in War Emergency Clerical Service for Women is now fairly under way. Two earnest groups of women meet twice a week to wrestle with the intricacies of Government pay-roll forms, vouchers, records, and sales procedures.

Mr. J. T. Kennedy, who is directly in charge of the course, reports that excellent progress is being made by the students. Evidently they realize that in the present national crisis, every woman, as well as every man, must be trained to do her part efficiently.

Several New York corporations are deeply interested in the work, and have already expressed themselves as willing to employ these trained women in their offices to take the places of men who have enlisted.

ALBERT R. FISHER, Accountancy Institute of Brooklyn, has severed his connection with the Kanouse Water Company to accept a position as assistant bookkeeper for the Keystone Mineral Company.

W. G. WILKINS, Newark School of Accountancy, has recently accepted a position as office manager and accountant for Ricketts & Company, Inc., mining, metallurgical and chemical engineers, New York.

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Solving Problems

Charles
B.
Couchman,
C.P.A.



IN the solving of business problems—and, after all, successful business consists almost entirely in solving problems that are constantly arising—it is very essential that judgment should not be allowed to relax for an instant.

This point is well illustrated by the solutions that were offered to the following problem, taken from the final examination in Practical Accounting, Pace Standardized Courses, in February, 1917:

The X Refining Company buys railroad cars, for which \$10,000 was paid in cash, January 1, 1913; and four notes were given, each for \$10,000, payable January 1, 1914, 1915, 1916, and 1917, respectively. The \$10,000 face value of each note includes principal and interest at 5 per cent. per annum, not compounded.

In an audit as at December 31, 1916, wherein you are required to show the net profit for each of the years, you find that all of these notes have been paid, except the one due January 1, 1917. These payments, together with the \$10,000 cash payment, have been charged in full to Car Equipment Account. What adjusting entries, if any, would you make for each year?

The Car Equipment Account should have been debited with the purchase price of the cars at January 1, 1913, but not including any interest thereon due to extension of time of payment. Also, on that date liability should have been entered for the amount of notes given.

Since the note maturing on January 1, 1914, contained five per cent. interest upon the principal, the amount of the principal in that note may be obtained by dividing \$10,000 by 1.05. Similarly, the note due on January 1, 1915, contained principal with interest thereon at the rate of five per cent. for two years. The principal, therefore, may be obtained by dividing \$10,000 by 1.10. In like manner, the principals of the remaining two notes may be found by dividing \$10,000 by 1.15, and 1.20, respectively. As a result of these calculations, we find the principals of the four notes to be as follows: \$9,523.81, \$9,090.91, \$8,695.65 and \$8,333.33, making a total principal for the four notes of \$35,643.70.

Evidently, therefore, the cost price of the car equipment would be the sum of these principals and the \$10,000 cash which was paid on January 1, 1913, making a total of \$45,643.70, which should have been charged to Car Equipment Account.

Instead of this result, we find that the account has been charged with four payments of \$10,000 each, and therefore stands at \$5,643.70 less than the correct amount.

In the above calculations by which the princi-

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pal of each note was obtained, the interest amounts included in each of the notes are found to be as follows: \$476.19, \$909.09, \$1,304.35, \$1,666.67, making a total of \$4,356.30 interest included in the four notes.

Having successfully reached this point in the solution, many students allow their judgment to relax. They realized that the Profit and Loss Account for each of the years 1913, 1914, 1915, and 1916 must be debited for an interest amount. Also, they had calculated the amounts of interest included in the notes maturing just after the close of each of these years. It did not require much relaxation of vigilance to solve the problem of debiting the interest amounts so obtained to the Interest Accounts of those years. It speaks well for the watchfulness of the young business men of to-day that so few did make this slip.

Such a solution would have been incorrect. Under it, the years in which the greatest amount of principal was outstanding would receive the smallest amount of interest charge. Further thought shows that the amount of principal outstanding during each of the four years must be ascertained, and interest thereon calculated at the required rate, to give the proper amount chargeable to the Profit and Loss Accounts of the several years.

The following table gives the result of these calculations:

Year	Principal Outstanding During Year	Interest Thereon at 5%
1913	\$35,643.70	\$1,782.19
1914	26,119.89	1,305.99
1915	17,028.98	851.45
1916	8,333.33	416.67

The note due on January 1, 1917, was outstanding on December 31, 1916, and must therefore be set up as a liability as at that date.

The following Journal entry fulfils all the requirements of the problem:

Sundries to Car Equipment	
Note Payable	\$10,000
Interest Account for 1913...	\$1,782.19
Interest Account for 1914...	1,305.99
Interest Account for 1915...	851.45
Interest Account for 1916...	416.67
Car Equipment Account.....	5,643.70

To set up liability for Car Equipment Note, and to debit the Interest Accounts for the various years with their proper amounts, which have been debited in error to Car Equipment Account.

HYSTERIA will be one of our greatest foes in the present crisis. It can do more harm than an enemy's shell. It is hard to combat because it is so intangible, and when once it has a start, it is harder to stop than a retreating army. Responsibility for the control of this hysteria rests squarely with America's business men, and the way in which they are assuming it has already proved to be a stabilizing influence of great importance.

They feel that the great problems confronting the United States can be more easily solved, if viewed sanely by all. Conditions will not always be desirable, but common sense can alleviate them.

Henry Clews, writing in the *Weekly Financial Review*, published by Henry Clews & Company, says: "There is much complaint in all directions about high prices, and indications already point to lessened consumption. Food is exceedingly high, and unless relief is found some sort of Government food control may be expected as a war measure. The labor situation also promises to become more acute. Scarcity is already pronounced, and will be more so when a half to one million men are drawn into the army. Not less than three men are required at home to support one in the field, so that the labor situation calls for prompt and intelligent consideration."

Mr. Clews goes on to say that the mobilization of our finance and industry upon a war basis will for a time be the controlling factor in business circles. "Such an adjustment naturally causes more or less inflation and derangement." The vast sums voted by Congress cannot be spent all at once, and it is to be hoped that they will be withdrawn from the financial market with as little disturbance as possible.

"Our own expenditures will begin gradually and be extended over many months before additional loans can possibly be needed. The loans to our allies is a similar process and is likely to follow similar lines; that is, the bonds will probably be issued at stated periods, when most needed, thus avoiding the injurious effects of locking up huge amounts at once, or suddenly withdrawing them from employment in the regular channels of trade. The effects of these transactions will, of course, be far-reaching and temporarily unsettling. These vast sums will be likely spent in the United States, partly for our own Army and partly for the Allies. That means

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further activities in certain industries, and possibly still higher prices for their products, although it must be remembered that the Government will use all power available to prevent undue advances."

The eminent financier feels that the present uneasiness over the Government tax proposal is somewhat unnecessary. He believes that, so far as taxation goes, the object should be to raise as large a sum by taxes as feasible and consistent with an equitable distribution upon all classes; the higher rates, of course, falling upon those best able to bear them. Undoubtedly we can trust the Administration to handle the bond and note issue with as little public inconvenience as possible, so that the rates will not be carried so high that capital and home enterprise will be seriously impaired.

J. PHILIP BAYER, Pace Institute, has recently accepted the position of bookkeeper for the Jensen Creamery Machinery Company. Mr. Bayer was formerly in the employ of The New York Central Railroad Company.

EDWARD C. QUENZER, New York Institute of Accountancy, has entered the practice of public accounting on the staff of John H. Koch & Company. Mr. Quenzer was formerly employed by the New York Edison Company.

H. E. SCHRIVER, Pace Institute, Extension Division, announces his succession to the public accounting practice of his former employer, J. C. Shumberger. Mr. Schriver's offices are in the Union Trust Company Building, Harrisburg, Pa.

PHILIP N. MILLER, B.A., C.P.A., New York Institute of Accountancy, 1910, has accepted an executive position with the Federal Accounting Corporation, 43 Exchange Place. Mr. Miller was formerly associated with the Platt & Washburn Refining Company.

EGBERT S. HARVEY, Pace Institute, Extension Division, formerly bookkeeper for The George Washington Life Insurance Company, has resigned to accept a position on the staff of The State Public Service Utility Audit and Investigating Company of Charleston, West Virginia.

IT is a surprising fact, but it is estimated that labor troubles in this country waste annually the vast sum of \$1,000,000,000. This is one-seventh of the amount recently voted by Congress to carry on the war.

**Edu-
cation
and
Labor**

The fundamental cause of most labor troubles seems to be a misunderstanding between employers and employees. Anything that will assist in removing this misunderstanding will be of incalculable benefit to the country.

If employers could be brought more generally to realize that employees need training which their daily routine does not give them, they would advance a distinct step toward a better understanding of labor's view-point. Employees benefiting by this increased knowledge of business, and feeling that those above them were taking a real interest in their advancement, would get, to some extent, their employer's angle of vision. They would see that ideas are not wrong simply because they emanate from capital.

Constructive educational programs, worked out with the coöperation of both groups, will do as much as any other single thing to remove the present misunderstanding. The resultant financial saving will be only one benefit. Every man in an organization will be brought into closer touch with his fellows and with his superiors. Efficient work is bound to follow.

AMBROSE C. BRADY, Pace Institute, has severed his connection with Messrs. Cordley & Hayes to accept the post as bookkeeper for the Dale-Brewster Machinery Company.

BERNARD H. DREIFOOS, Pace Institute, has resigned his position with The American Insurance Company to accept the position as assistant bookkeeper in the office of The Scarsdale Estates.

HARRY R. NEWITT, Pace Institute, has accepted the position of office manager for Arthur H. Lee & Sons. Mr. Newitt was formerly engaged as junior accountant with Dennis & Young, public accountants.

MISS HENRIETTA BRAUNSDORF, Pace Institute, has recently severed her connection with The New York Kindergarten Association to accept a position on the bookkeeping staff of the Rainier Motor Corporation.

Horatio
N. Drury,
B.A.



OPERATING letters are intended to aid in the conduct of the executive or the administrative details of an organization. Such letters are, of course, written by persons vested

with authority to give directions and orders. Operating letters should be unmistakably clear, since a word or a phrase doubtful in meaning often results in embarrassment or costly delay.

Clearness in giving orders in operating letters is insured by an observance of the following steps:

First—Know precisely what you wish done before you order it done.

Second—Communicate your order in such a definite manner that the person who is to carry it out understands it thoroughly.

Third—Secure a reaction from the person to whom the order is given for fulfilment; that is, an acknowledgment indicating that the order has been received and is understood.

Operating letters may be roughly divided into two main classes: first, letters that give direct, brief instructions, and letters containing the acknowledgment of the receipt of such letters; and, second, letters that represent a blend of operating letters and of such other types of letters as the particular matter in hand may make desirable.

Interdepartmental communications of a railroad, for example, usually belong to the first class, while the letters from the home office of an insurance company to its agents in the field belong to the second class.

Interdepartmental operating letters are usually written on a cheap quality of paper without printing, in order to save expense.

October 25, 1914.

Mr. F. M. Smythe, Agent,
Disston, Nebraska.

Dear Sir:

Your attention is called to the fact that the shipments of wheat from your station for September, this year, \$17,269.50, have fallen much below the shipments of last year, which amounted to \$23,475.89. The falling off is more than 26 per cent. The wheat crop is larger this year than last.

Can you give any good reason for the falling off?

Truly yours,

D. C. WEST,

Division Freight Agent.

DCW/B

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November 6, 1914.

Mr. D. C. West,
Division Freight Agent,
Chicago, Ill.

Dear Sir:

Your letter of the 25th in respect to the falling off in our wheat shipments at hand.

The wheat crop in this vicinity is better than last year, but we had severe local rains during the early part of September, which prevented the hauling of wheat to the elevators. The month of October will show an abnormal increase due to the falling off in September.

Truly yours,

F. M. SMYTHE, Agent.

FMS/B

July 10, 1914.

Mr. W. B. Jones,
Chief Engineer,
Building.

Dear Sir:

Prepare and submit by September 1st detailed estimate showing the cost of reducing the curve between Dunken and Waverly to one-half of one per cent.

Truly yours,

F. B. BROWN,

General Manager.

FB/B

July 10, 1914.

Mr. F. B. Brown,
General Manager,
Building.

Dear Sir:

Your instructions of this date in respect to estimate on cost of reducing curve between Dunken and Waverly are received, and the estimate will be submitted well in advance of the date you specify.

Truly yours,

W. B. JONES,

Chief Engineer.

WBJ/B

NOTE.—This letter secures a reaction which shows an understanding of the order and fixes the responsibility for completion within a certain time.

Omaha, Nebraska,

December 15, 1913.

Mr. M. O. White, Asst. Secty.,
54 Wall Street,
New York City.

Dear Sir:

Prepare a list of stockholders for

use at the annual meeting to be held on the 15th of January next.

The list is to be made as at the close of business on December 31, 1913, and is to show, in respect to each stockholder, the name, the address, and the shares of preferred or common stock standing in his or her name on the date stated.

The list is to be shipped by Wells Fargo Express, marked "Valuable Papers," not later than January 10th.

Truly yours,

W. H. MERTON,

Secretary.

WHM/B

December 18, 1913.

Mr. W. H. Merton,
Secretary,
Building.

Dear Sir:

Your letter of December 15th is received, and the list will be prepared and shipped in accordance with your directions.

Owing to the large amount of stock outstanding and its wide distribution, there will be more than a thousand additional names on the list this year. In order to be sure of preparing the list on time, a special clerk should be employed for the two weeks beginning December 27th. Will you please authorize such extra expenditures as may be necessary?

Truly yours,

M. O. WHITE,

Assistant Secretary.

December 19, 1913.

Mr. M. O. White, Asst. Secty.,
54 Wall Street,
New York City.

Dear Sir:

Your letter of December 18th is received. It is true that your work will be heavier this year, but you have lost sight of the fact that you have had an additional clerk since the 1st of February. The work can undoubtedly, therefore, be carried out with your regular staff.

I shall, therefore, hold you responsible for shipping the complete lists on the date specified, namely, January 10th.

Truly yours,

W. H. MERTON

Secretary.

WHM/B

NOTE.—Note the fixing of the responsibility to avoid an excuse for failure to finish the sheets at the time specified. This is a very important part of the second letter from the Secretary.

Examples
of
Pure
Operating
Letters

Re: Wm. T. Badger,
Rose Avenue,
Bridgeport, Conn.
**EASTERN CASUALTY
COMPANY**
245 Broadway
New York

April 10, 1914.

Messrs. Ware & Ware,
2121 Main Street,
Bridgeport, Conn.

Gentlemen:

This letter is in reference to the above risk on which you have written policies covering the inside and outside glass.

The Eastern Insurance Company of New York have complained that you did not charge the proper premiums. This complaint is probably founded on the fact that the sizes contained in your policy are somewhat too small.

Since we are desirous of having all the business in your territory written at the correct rate, we suggest that you confer with the agents of the Eastern Insurance Company, H. B. Farr & Co., and find out the points of difference.

Kindly have the policies corrected and the proper rate endorsed upon them, in order that the books of our Company and the books of the Eastern Insurance Company may agree.

Very truly yours,
**EASTERN CASUALTY
COMPANY,**
B. F. Manton,
Superintendent Plate Glass
Department.

Re: Los Angeles
Medical Examiner.
**WESTERN INSURANCE
COMPANY**
212 Pacific Avenue
San Francisco, Cal.

October 1, 1914.

Mr. F. J. Warden, Manager,
Western Insurance Company,
Los Angeles, California.

Dear Sir:

This letter is in reply to yours of September 30th. We approve of your suggestion to appoint Dr. Gordon of your city the assistant examiner to Dr. Fox. You will personally see to it, however, that Dr. Gordon is never employed to the exclusion of Dr. Fox, and that applications are turned over to him only when Dr. Fox needs his assistance, or when in actual emergencies the latter is not available.

Yours truly,
S. V. PETERS,
Medical Director.

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Re: John Wilkins,
Wheeling, W. Va.
SOUTHERN INSURANCE CO.
Endover Building
Baltimore, Md.

November 11, 1914.

Mr. James R. Tate, Manager,
Southern Insurance Company,
Wheeling, W. Va.

Dear Sir:

Replying to your favor of the 9th, we are willing to consider this case on the Five Payment Life Plan, but we do not like the plan of issuing the policy until there is some indication that Mr. Wilkins will accept that form of contract. If you are convinced that a Five Payment Life policy can be placed, send us a telegram to that effect and we will issue the policy at once.

Yours truly,
C. T. BAGBY,
Superintendent.

Re: James Warden, No. 899765-A.
**THE LIFE INSURANCE
COMPANY OF AMERICA**
24 Madison Avenue
New York

February 9, 1914.

Mr. F. G. Porter,
High Bridge, N. Y.

Dear Sir:

We have once more looked carefully into the writing of this application by Agent Horton of the Long Island City District. In order to eliminate any possible doubt, we went to the expense of sending a Home Office Inspector on the case. After reading his report, we cannot see that Agent Moore has any just claim in this transaction.

That Agent Moore wrote a Part A and collected \$3 advance payment appears to be true, but that he also held this money for almost four months, and did not make an effort to see the risk until the latter wrote asking for the return of the money, is also true. Furthermore, your agent willingly transferred the Industrial business to the debit of Agent Horton, of the Long Island City District, for the reason that—to quote from the agent's letter—"It took too much time for me to go there and make collections."

We do not criticize the agent for making the transfer. When, however, it is considered that he had good prospects of closing an Ordinary Application on this life, the most business-like course to adopt would have been to hold fast to the

Industrial business until he had reached a definite conclusion with the life proposed as regards the Ordinary Application.

No effort appears to have been made by your agent even to see the risk after the latter changed his address. Then, it appears that he would not have heard anything about the other agent's success in closing an application if the life proposed had not written to him, demanding the return of his \$3.

If Mr. Moore feels at any time that he would like to have an interview with the Manager, we shall be glad to arrange for such an interview. It would be useless, however, to make any arrangements for an interview with Agent Moore for the sole purpose of discussing this case, since our decision in reference to the credit and the commission will not be changed.

Your truly,
**THE LIFE INSURANCE COM-
PANY OF AMERICA.**
Wallace P. Richards,
General Manager.

EDWARD CUNNINGHAM, Pace Institute, has accepted a position on the auditing staff of R. H. Ingersoll & Bro. Mr. Cunningham was formerly employed by the Rainier Motor Corporation.

CLIFFORD K. CUEMAN, Newark School of Accountancy, has recently joined the staff of Frederick H. Hurdman, public accountant. Mr. Cushman was formerly in the employ of Whittlesey, Myer & Wythes.

FRED C. NORDHEIM, Accountancy Institute of Brooklyn, has severed his connection with Warner-Godfrey Company to join the auditing staff of S. D. Leidesdorf & Company, public accountants.

WILLIAM C. DEMPSEY, 114 Brooklyn Avenue, Brooklyn, N. Y., has just graduated from the Pace Institute, Extension Division, having completed all prescribed work in a very consistent and creditable manner.

DAVID C. MC KEAN, Detroit Technical Institute, is actively engaged in the service army that is preparing to equip the military and naval forces of our country. He has recently been appointed to the position of assistant superintendent of the Brunswick Marine Construction Corporation, Brunswick, Marion Co., Georgia. This organization is undertaking a large share in the national shipbuilding program.

Aesop
in Busi-
ness—
Horace

THERE was once a young man of Academic Vision named Horace.

In college he had thoroughly grasped the Major Concept that the Lucrative Angle of Business is the Selling Angle.

He had also assimilated the Minor Concept that Persistency can realize all Hopes.

His friends told him that he had Business Perspicacity, and that he would prove an Effective Awakener of Commercial Somnolence.

Through the friendly interest of a classmate's uncle, he was Added to the Distributing Staff of a firm selling Office Equipment and Things.

Horace was handed an illustrated Catalogue, an Order Book, and a list of Logical Purchasers, and was enjoined to Keep his Eye on the Dotted Line.

Accordingly, he made his first Call upon the Purchasing Agent of a large Corporation that jobbed in Health Underwear of the Three-Initial Variety. The Office Boy was Somewhere Else, and Horace did not wait to be Announced.

The Purchasing Agent was already engaged in Conducting a Defensive Conversation with a Superior Officer, who wanted to know why he had done a Certain Thing.

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He found it Hard to welcome Horace with Enthusiasm.

Horace did not sense the Electricity in the Atmosphere. He mounted the Springboard and plunged in. His convictions on Persistency would not allow him to be Halted.

At last Horace arrived at the Dotted Line. Then the Purchasing Agent recovered himself and proceeded to Act. He opened the Door with Violence and Showed Horace the Speedy Way Out. He also used Plain Language about the Undesirability of a Return Call.

Moral: It's a Wise Youth who can Modify his Concepts to Meet a Condition.

DURING the past month a request was made of Pace & Pace to secure experienced stenographers to serve in the military and naval branches of the United States. In response to the call six men were placed. The positions involved enrolment in reserves and all the men are now in active service for the branch in

which they enrolled. Reports received state that the officers in charge of the several offices are pleased with the work of these men and the men are highly gratified with their new positions. The men placed are:

Marine Corps Pay Office, New York:

David P. Knob

William C. Berthold

Marine Corps Pay Office, Washington:

Frank J. Kaiser

Henry Engel

Marine Corps Recruiting Office, New York:

Louis Ehlen

Naval Coast Defense Reserve:

Thos. J. O'Neill, Yeoman, 3rd Class, for assignment on board the *Tanikwa*.

JOSEPH F. HARRINGTON, Pace Institute, successfully passed the recent examinations given by New York State for the degree of Certified Public Accountant.

LEONARD V. CLOSTERMAN, Pace Institute, has left the employ of The Audit Company of New York to accept a position as accountant for the August Mietz Engine Works.

Judging from the Past

Every year the demand for copies of The Annual Review of the Annalist, issued the first week in January, exceeds the supply and the edition is quickly exhausted.

The Annual Review of The Annalist contains the most complete and exhaustive summaries of business and industrial development to be found in any publication.

Forecasts of the commercial prospects for the coming year occupy an important place

Tabular and Statistical data gathered together in reviews form a treasury from which the man who is interested in the commercial development of the United States can draw without stint.

To anticipate the demand for The Annual Review and to place these facts within reach of all, we will send the next six issues of The Annalist, including The Annual Review, to any address, postpaid, on receipt of 50 cents, money or stamps.

The Annalist

The Journal of Finance, Commerce, and Economics

TIMES SQUARE

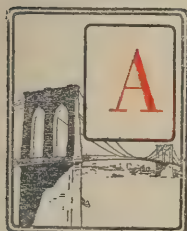
NEW YORK

The PACE STUDENT

Vol. II

New York, July, 1917

No. 8



ACCOUNTANCY is a profession. It has long been regarded as such by those who have known it well. If there be any business men who still regard it merely as an occupation, a trade, to be considered upon a par with the more mechanical employments,

they are not familiar with either the high order of abilities necessary for a successful practice of Accountancy, or with the high standard of ethics which characterizes this practice.

In a previous issue, we quoted from Dr. John H. Finley, as follows:

"Wherever, outrunning the desire for personal profit, we find joy in work, eagerness for service, and a readiness for coöperative progress, there trade has been left behind and a profession entered."

The most recent expression of this professional characterization of Accountancy is found in the movement now under way for the establishment, by the American Institute of Accountants, of a central library, and statistical bureau. This is a department in which will be collected such information as is valuable to the profession at large—information which has been acquired as the result of long practice, investigation, and analysis, by members of the profession, and which will thus be made available for the use of all their fellows.

In this movement the coöperative spirit finds definite expression. Several of the largest Accountancy firms—the firms which have built up the greatest store of this information, and which are, therefore, the least likely to need such a bureau, are the firms which are doing the most to put this information in the hands of their associates who are less fortunately equipped.

The movement was given a very definite founda-

tion by the contribution of \$25,000 from George O. May and the other partners of Price, Waterhouse & Company, and by the contribution of \$15,000 from Elijah W. Sells and the other partners of the firm of Haskins & Sells. Other contributions by members of the profession are expected to bring the sum to \$150,000, the income of which has been calculated as being sufficient to make the plan successful. The interest in the idea is so great that probably an amount far in excess of the above will be available for the use that has been indicated.

When this bureau is fully developed, the individual accountant of the far distant cities will find at his disposal definite information accumulated by all the larger Accounting firms over a great period of time. He will be enabled to do better work for his client than he otherwise would; and as a result the additional information he acquires will be added to the central storehouse and be made available to the other members.

In founding this clearing house for Accountancy information, the accountants of the Nation will take a great step toward establishing their professional status beyond the possibility of question or cavil.

The professional attitude of the accountants is further evidenced by the rules of professional conduct which have been approved by the Council of the American Institute of Accountants. The following code, approved on April 9, 1917, embodies in definite form the rules of ethics which have for many years governed the leading members of the Accountancy profession. It should prove of great interest, not only to the accountants themselves, but also to the business men of the country who are served by the accountants, and whose interests are best served and protected by high professional requirements.

Amer-
ican
Institute

LEADING ARTICLES

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Ethics

"1. A firm or partnership, all the individual members of which are members of the Institute, may describe itself as 'Members of the

American Institute of Accountants'; but a firm or partnership, all the individual members of which are not members of the Institute, or an individual practicing under a style denoting a partnership, when in fact there be no partner or partners, or a corporation, or an individual or individuals practicing under a style denoting a corporate organization, shall not describe themselves as 'Members of the American Institute of Accountants.'

"2. The preparation and certification of exhibits, statements, schedules, or other forms of Accountancy work, containing an essential misstatement of fact, or omission therefrom of such a fact as would amount to an essential misstatement shall be, *ipso facto*, cause for expulsion, or for such other discipline as the Council may determine, upon proper presentation of proof that such misstatement was either wilful or was the result of such gross negligence as to be inexcusable.

"3. No member shall allow any person to practice in his name as a public accountant who is not a member of this Institute, or in partnership with him, or in his employ on a salary.

"4. No member shall directly or indirectly allow, or agree to allow, a commission, brokerage, or other participation by the laity in the fees or profits of his professional work, nor shall he accept directly or indirectly from the laity any such commission, brokerage, or other participation for professional or commercial business turned over to others as an incident of his services to clients.

"5. No member shall engage in any business or occupation conjointly with that of a public accountant, which in the opinion of the Executive Committee, or of the Council, is incompatible or inconsistent therewith.

"6. No member shall certify to any accounts, exhibits, statements, schedules, or other forms of Accountancy work, which have not been verified entirely under the supervision of himself, a member of his firm, one of his staff, a member of this Institute, or of a similar association of good standing in foreign countries, which has been approved by the Council.

"7. No member shall take part in any effort to secure the enactment, alteration, or amendment, of any state or federal law, or any regulation of any governmental or civic body, affecting the practice of the profession without giving immediate notice thereof to the secretary of the Institute, who in turn shall at once advise the Execu-

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tive Committee or the Council.

"8. No member shall directly or indirectly solicit the clients nor encroach upon the business of another

member; but it is the right of any member to give proper service and advice to those asking such service or advice."

THE productive value of the middle-aged man, the worker between the ages of forty-five and sixty-five, is to be tested out by Benjamin J. Rosenthal, the well-known Chicago capitalist and philanthropist. Mr. Rosenthal no doubt has encountered the superstition that is abroad in the commercial world, that no one should be added to the salary list who is above forty. One of the most difficult problems for a vocational bureau to solve is the placement of men who, at the age of forty or above, have lost step with an organization position. Mr. Rosenthal states in a newspaper interview the test that he is about to apply, as follows:

"Twenty middle-aged men whom we have enlisted will be employed by one of the largest houses in Chicago.

"The head of this house, to make an efficiency test, will put them in the correspondence department. Alongside of them will be twenty young men, and each individual will have the same work to do. They will open, sort, and file correspondence and do auditing work.

"If these twenty middle-aged men do half as much work as the younger men, they will be paid half as much. If their efficiency is equal to the younger men, they will receive the same salary.

"Young girls, many of them still children, physically, who will work for almost nothing, are responsible for the thousands of unemployed old men who walk the streets, vainly looking for work.

"Many of these girls are ruined before they are twenty by hard work, and old men are kept out of positions which they could better fill. The test we are making will, I think, educate the business world to realize what they are wasting, and save the younger generation from themselves."

We predict that the producing capacity of the men under test will be found satisfactory. Even with such a demonstration, many organizations will hesitate to place men of middle-age, or above, on their pay-rolls, and the problem will still exist.

The grain sack is of little use till the sheaves have been run through the threshing machine. Our accumulated impressions and experiences need the same threshing process. Most of them are of no value; why give them mental storage?

Charles
G.
DuBois

“YOU'RE a good deal younger man than I supposed I'd see, but, on the other hand, you've got just that many more years of hard work in you.” This was the way in which Theodore N. Vail, soon after he had been elected president of the American Telephone and Telegraph Company, in 1907, greeted Charles G. DuBois, whom he had sent for as being one of the best accountants then in the business eye. That first interview must have been thoroughly satisfactory to both Mr. Vail and Mr. DuBois, for the latter was elected comptroller of the “A. T. & T.” Company on July 1, 1907, when he was thirty-seven years old, and he still holds that highly important position.

Mr. DuBois's business career has been one realized opportunity after another, until to-day, though still in his forties, he is known, wherever Big Business is understood and talked about, as a front-rank accountant, organizer, financier, and economist.

Charles G. DuBois was born on March 22, 1870, in New York City, where his parents were sojourning for a short time. Mr. DuBois is, however, a simon-pure New Englander, inasmuch as his forebears had lived there for generations. His father, William H. DuBois, was for many years treasurer and inspector of finance of the state of Vermont. The family home is at Randolph, in that state, where some of Mr. DuBois's brothers and sisters, as well as other near relatives, still live.

Mr. DuBois was graduated from Dartmouth College, in 1891, with the degree of Bachelor of Arts. While in college he took part in many student activities, among them managing the baseball team during his senior year. He was a good student, though, to use his own words, “not an especially brilliant one.” He was particularly interested in economics as applied to practical life—an interest he has had ever since. Strange as it may seem, in view of his after-college business proclivities and success, he was exceptionally interested in Latin and Greek, and the humanities, generally; and stranger yet—from the view-point of many educators of the present day—he is glad that he had to dig out Greek roots and master Latin prosody.

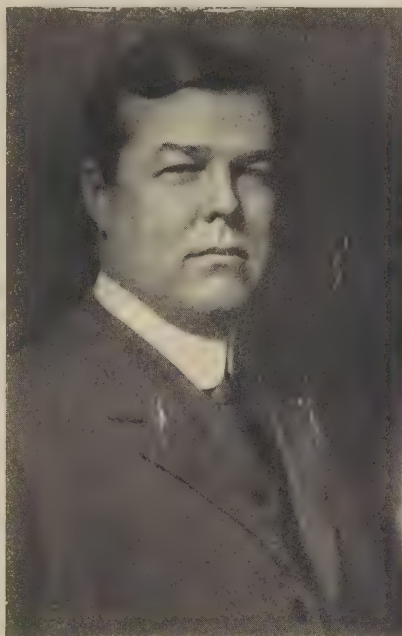
“I still stand by the guns of the old-fashioned educators,” said Mr. DuBois. “I believe that the study of Latin and Greek is the finest possible mental discipline for every kind of young man who does not have a

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very pronounced natural bent in some given direction. You need a trained mind for Business; Latin and Greek help to provide that training, for the best methods of teaching these subjects have been so well developed through many years that they give a thorough mental drill.”

Upon graduation from Dartmouth, Mr. DuBois got a job as clerk in the New York office of the Western Electric Company, then a small organization, with its main office and manufacturing plant in Chicago and



Charles G. DuBois

Comptroller

American Telephone and Telegraph Co.

the somewhat smaller one in New York employing about 300 men. He had certain qualifications that helped him at once in business. He knew bookkeeping, having mastered it as an assistant to his father while the latter was treasurer of Vermont; he wrote a legible hand; and he was naturally systematic and of an inquiring turn of mind. In five months' time he had risen to be chief clerk over the half-dozen men making up the office staff of the New York office.

“At that time,” said Mr. DuBois, “office procedures were crude and inefficient. There were no labor-saving office appliances to be had. All clerical work was done in long-hand. If three duplicates of a bill were needed, each one had to be

written out separately. Books were kept by means of the old-fashioned, complete-Journal record. It took a tremendous lot of time to perform the simplest task.”

Like the other manufacturing plants of the country, the business of the Western Electric Company was increasing with great rapidity. It became necessary for some one to simplify and systematize clerical methods. Mr. DuBois, viewing this necessity as his opportunity, jumped into the breach and worked out an accounting system, which, by means of modern statements and records, took care of the company's business as fast as it developed.

In 1897, six years after joining the company, Mr. DuBois was transferred to the main office, at Chicago, to take charge of the accounting part of the work that had been handled by Mr. J. M. Jackson, the secretary and treasurer, who had fallen ill. In 1898, Mr. DuBois was made secretary, performing the usual secretarial duties, and having supervision of the accounts as well.

About that time, owing to the growth of the business, Mr. DuBois began to concern himself with shop accounting, especially in respect to costs, distribution of burden, and systematization. For the next ten years, the demands of the business caused him to develop into an expert in costs.

“New shops were being put up all the time,” said Mr. DuBois; “the output kept growing in quantity and kind; and there was constant need of the scientific determination and supervision of costs. The day of the shop foreman's rule-of-thumb methods and casual judgment had passed; in its stead, blue-prints and detailed specifications were coming to be used for the mechanical work, and all shop records had to be put on a similarly scientific and accurate basis.”

The Western Electric Company, in 1900, began to establish branch houses throughout the country, largely upon the advice of Mr. DuBois, who had become interested in the economic aspect of his company's business. Upon study and analysis, he had come to the conclusion that the output of the company could be more economically distributed through branch houses than through jobbers, who, of course, made profits. This idea finally prevailed, and in 1904 he added to his duties those of supervisor of branch houses.

It was at this point in his career that the American Telephone and Telegraph Company found Mr.

Who's
Who

Biographical
Sketches
of Men of
Affairs



QUALITY is Equity." Thus reads one of the maxims of Equity. But

Equality is a difficult thing to determine. For years men have wrestled with the word. Statesmen have differed as to what

constitutes the equality of the human race; economists have argued as to what is equality of opportunity, and no little discussion has resulted from the declaration of human equality by Thomas Jefferson. If any one accepted this maxim as a definition of Equity, they would be in the dark as to its true meaning.

Equity is always a mystery to the beginner in the study of law. Nevertheless, the student seizes upon it as a cloak to cover his ignorance. Let the instructor ask him for the decision in a case, and if he does not know the answer, he will reply, "It is so and so in Equity." But should the instructor ask him, What is Equity? the student immediately gets into trouble.

No writer on Equity ventures an exact definition of the term. Bispham, one of the authorities, offers no definition. Writers hesitate to give definitions of this term because of the exceptions which might be given respecting any definition and because Equity is a growth or development of justice. Therefore, I suggest a definition composed on the basis of text explanations, not as an example of precision, but as a step toward giving a clearer comprehension of this branch of jurisprudence. The suggested definition is: Equity is a system of justice designed to afford relief from the hardships incident to the inflexibilities and incompleteness of certain common-law rules and forms, and to afford an adequate remedy for an existing legal right where no such remedy existed at law.

Law courts were instituted before equity courts. An understanding of how Equity removed some of the injustices arising out of the strict interpretation of legal rules by law courts, may best be had by considering certain fundamental phases of the law in conjunction with certain examples.

Under the old law, all rights or obligations flowed from three general sources. These are contained in what is known as the three-fold responsibility of the citizen to the law. The first of these imposes upon the citizen the duty of not injuring society, and its violation constitutes a crime; the second imposes upon the citizen the duty of not injuring the person or property of another, and its violation constitutes a tort; the third imposes upon the citizen the duty of abiding by certain of his agreements with others,

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and involves the Law of Contracts.

Cases arose where rights, as a matter of justice, should be conferred upon parties, which did not

flow out of this three-fold responsibility. An example is what is known as "the right of contribution." For instance, two persons are co-guarantors of a note, each promising to pay the full amount of the note in the event that the maker fails to do so at maturity. Under these circumstances there is a contract between the maker and the creditor, and a contract by each guarantor with the creditor, but no contract between the guarantors. At law the creditor might compel either guarantor to pay the note in full. Assuming that one guarantor paid the debt in full, under the old common law he could not secure any remuneration from the other guarantor, because none of the three things mentioned was present. It was no crime for the other guarantor to refuse to contribute to payment; nor was it a tort; nor did any contract with the guarantor who paid obligate him to contribute. Nevertheless, in all fairness, the guarantor who paid the debt in full should receive contribution from the other guarantor. Equity intervened and decreed that justice required contribution from one guarantor to the other. This same general idea will be found present respecting other equitable rights, which the student learns in a law course.

In addition to the rights which Equity afforded, there are equitable remedies. Equitable remedies are more easily understood than equitable rights. With but few exceptions, the common law recognized only money damages. Money damages would not always compensate for injuries. A common illustration is where a man employs an agent to buy his old homestead, and the agent, instead of buying it for the man, buys it for himself—taking title. At common law the only remedy the man would have was an action for money damages; and there would be no means of securing that which was of more value than money to the principal—that is, the land itself. Equity intervened, so that the principal could obtain the land.

Students sometimes get the impression that the rule just given applies to land only, but it applies to anything wherein money damages would not compensate. For instance, a famous piece of art or a family heirloom could be recovered.

It is true, that some of the equitable rights by statutes have been made legal rights. Likewise, Equity is administered in some of the states by the same judges who adjudicate legal questions. This does not alter the principle, for a judge when hearing equity cases would be a chancellor so far

Equity

Equitable
Remedies

as those kind of cases are concerned.

The illustrations given afford an insight into this branch of jurisprudence. In succeeding articles, specific subjects of equitable jurisdiction will be considered. There is probably no study so fascinating, once the student grasps the fundamentals, as that of Equity.

(Continued)

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Mutual Assent

MUTUAL assent, in the Law of Contracts, consists of an offer and an acceptance. Until there has been mutual assent, no contract results. Not infrequently, the question as to whether a contract has resulted from negotiations arises in the purchase and sale of a commodity of fluctuating price—for instance, cotton. If it goes down, the person who had offered to sell it at a price higher than the present market may attempt to show that the other party contracted to purchase cotton. On the contrary, if the price goes up, the person who wanted to buy cotton at the time of the negotiations may attempt to show that there was a valid contract by the other party to deliver the cotton at the price mentioned in the negotiations. Sometimes there is a considerable sum in controversy—representing the difference between the market price and the contract price. In a recent court case upon which I was engaged several telegrams between the parties had to be considered in conjunction, in the effort to determine whether or not a contract arose.

Basically, the rule is, that there must be an offer by one party and an acceptance by the other. Simple as this may sound, difficulties are found in its practical application. Conduct as well as words are to be considered in determining whether an offer has been made and whether there has been an acceptance. Silence is not consent to an offer, unless accompanied by acts indicating an acceptance.

Definiteness is the main test in determining whether a proposal constitutes an offer. There must be definiteness as to the amount, as to the subject-matter, and as to the parties. Unless there be this definiteness as to these elements, the proposal is not an offer but an invitation to deal. A proposal to buy goods from another, or to sell goods to another, at a "fair price," "a reasonable price," or a "fair market price," is too indefinite to constitute an offer. There is even question as to whether an offer to take goods at the "highest market price" may be considered definite. Indefiniteness as to quantities of goods was discussed in the last issue of *The Pace Student*. It will be remembered that if the proposal be to buy or to sell "not more than" a given quantity, it is too indefinite. But should the

proposal be to buy or to sell "not less than" a given quantity, it is definite as to the extent of the minimum named. Furthermore, there

must be definiteness as to just what goods are contemplated.

The question of definiteness as to parties has been frequently litigated. A circular letter or a catalogue proposing the sale of goods at prices named therein, is construed as a mere invitation to deal, extended to the public in general. It can not be assumed that every offer to the public is an invitation to deal. If Jones loses his watch and inserts an advertisement in the paper offering \$10 reward for its return, this is a definite offer. It is not made to the public in general, but to that person who may find the watch. Unless the person finding the watch had in mind the offer of Jones when returning the watch, he can not claim a contract exists, as the watch must be returned, by reason of the offer, in order to have a complete offer and acceptance necessary for a contract.

A widely published case tends to confuse students. In this case, a merchant advertised an article in the newspaper. By mistake the newspaper, through neglect of its staff, inserted a price lower than that in the copy. The merchant sold the article at the lower price, brought action against the newspaper for the difference between the two amounts, and recovered. In this case, the merchant was not obligated to sell the merchandise at the lower price, for the reason that this was merely an invitation to deal. The point in the case was, that the neglect of the newspaper compelled him to do so, or to run the risk of forfeiting the good-will of his customers, and that the newspaper must therefore pay. It is by no means certain that in all cases the measure of damages to the merchant would be the difference in amounts. From these cases, we may derive the rule that there must be definiteness as to the party, or parties, to whom the proposal is made, and that a proposal ostensibly made to the public, as in the case of a reward, may in reality be made to a definite, though unknown, person.

Difficulties are likewise experienced in determining what constitutes an acceptance, in the absence of a verbal or written acceptance of the offer. Any conduct indicating an intention to act upon negotiations as though a contract had been completed, is construed as an acceptance. If A and B are in the course of negotiations as to the purchase and sale of goods, and B pays for a part of the goods at the price named, which part payment A accepts, it will be assumed that A, by his conduct, accepted the offer of B to pay

Charles G. DuBois and elected him comptroller.

DuBois "The Bell System, at that time," explained Mr. DuBois, "was a rather loose-jointed organization composed of many different companies, in different sections of the country, with different methods of doing business. Many things had been begun, but few had been made uniform or systematized. It was my business to work out a comprehensive system of accounts, which would be so uniform in layout and methods as to enable accurate comparisons to be readily made between the results of the various companies. The work involved much more than having the accounts look uniform; it involved, first of all, making the clerical processes back of the accounts uniform, so that results which looked uniform were so in fact; it also involved devising methods to present complete summaries quickly. I found all this a three years' job."

Mr. DuBois's supervisory work has a country-wide compass. The Bell System is now made up of about twenty-five associated companies, each of which has its own general auditor, who, though reporting direct to the president of the company, is under the coöperative supervision of the comptroller of the A. T. & T. Company. Besides, as comptroller, Mr. DuBois is required to pass upon the technical qualifications of every general auditor, and several of these officials he has selected from among the members of his immediate staff at the home office, which normally numbers about 130 persons. Mr. DuBois also supervises the auditing of each associated company and statistical work of all kinds—statistics as to development, progress, and prospects, as distinguished from pure accounting.

The foregoing would seem to be a sufficiently comprehensive scale of duties to engage all of Mr. DuBois's energy and time. Yet he finds perhaps his greatest interest in all matters pertaining to the welfare of the "Bell" employees throughout the country, and he takes an active part in all coöperative movements in their behalf. He is chairman of a special committee that provides them with accident, health, and life insurance, and old-age pensions. He has been instrumental in cultivating thrift by means of a profit-sharing plan, which enables employees to buy stock in the Company on instalments of \$2 a month for each share. As a result of this plan, 45,000 employees are buying approximately 125,000 shares, about one-half of which are already paid

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for. Mr. DuBois also takes a deep interest in educational work for the benefit of the employees of the Company. A great deal of this work has already been done, and plans for extending and systematizing it are under way.

During the past three or four years, since the accounting work of the Company has been standardized and placed under the direction of the Interstate Commerce Commission, Mr. DuBois has been giving more attention to statistical work, financing, and welfare activities than to accounting, especially since he has developed many of his assistants into good accountants.

Mr. DuBois has very positive views upon the importance of statistical work to the Telephone Company. "Inasmuch as the service of our Company," said Mr. DuBois, "touches every phase of our national life, we find it desirable to get complete pictures of as many sections of that life as possible. A common mistake consists in drawing conclusions from one set of facts rather than from an accurate conception of the inter-relation of various sets of facts. Statistics, properly compiled and interpreted, will do much to give correct judgments as to plans of expansion and promotion."

Mr. DuBois supplements his statistical investigations by means of first-hand, mental pictures of the industrial, commercial, and social conditions in every part of the country. There is probably no other man in the United States who has traveled more widely or more intensively within the confines of our country than he. When he goes to a city, he insists, as he himself says, "on being shown around. If, for example, a new cotton warehouse is going up, I want to see it and to ask questions about what it signifies as to the development of the neighboring country. I take the same point of view in reference to every other indication of industrial and commercial growth, wherever I happen to be. The result is, that sitting here in my office, I can see every section of the country in a detailed way, and I can prophesy, to a pretty accurate degree, its trend of development and its needs for the future."

"Please give me your opinion of Accountancy and Business Administration as a field with opportunities for young men," I said to Mr. DuBois. "Accountancy has a won-

derful future as a profession, and especially in private business organizations," replied Mr. DuBois. "Business is becoming more and more scientifically organized. The old day of deciding things upon the basis of prejudice and narrow opinion has gone. It is being superseded by the period when the administrative officers must know all the facts, and how they fit into the picture as a whole, before they make their decisions. Men who are trained in the executive side of Business are greatly needed, and a considerable measure of this training is provided by the study of Accountancy and Business Administration.

"Right here," continued Mr. DuBois, "I want to emphasize one or two things based on my experience. An accountant is much more than a good bookkeeper. The latter is a skilled workman, and, as such, I respect him just as I do a skilled cabinet maker. An accountant, however, must be an interpreter of sociological, economic, and financial facts, as well as a systematizer and an organizer. And to interpret facts, the accountant, in my opinion, must have imagination. Facts are like so many stones; each stone, while complete in itself, is worthless unless mortared together with other stones; imagination is the mortar that sticks facts together and works them into a symmetrical structure."

"And now, just a word, if you please," I suggested, "as to how a young man may make the proper kind of start toward success in Business."

"There is no question about the importance of study," replied Mr. DuBois, readily, "not so much the imitative study of specific processes and procedures, as the kind of study that makes one think comprehensively. If a man can visualize and reason, he can usually be depended upon to work his way through almost any set of specific facts."

I cannot help feeling that Mr. DuBois is one of the best possible illustrations of his own definition of success. He has always been a student, gathering information and transmuting it into knowledge that would work in a practical way. Every position he has ever had—and he began at the bottom—he has so broadened and deepened within a short time as to find promotion at hand. And to-day, it is the same story with him—though comptroller in title and functions, he is making the word mean, not only supervisor of accounts, but statistician, sociologist, economist, financier, and welfare expert.

MILITARY and naval organization divides into three main parts. These parts center around personnel, materiel, and operations. When you hear of an admiral as aide for personnel, or aide for materiel, or aide for operations, it means that he is particularly concerned with the branch of work designated. No matter what technical name may be given a bureau or department, its work classifies under one or more of these heads.

Personnel has to do with the persons in the service. Complete records are kept of the military history of each officer and man. On the monthly muster-rolls, reports are submitted to the department concerning each man and what has happened respecting him during the monthly period. From these rolls, cards are prepared setting forth the main events in the soldier's career. At one time it required several days to furnish this information respecting a man; but the system of keeping records has been so improved that it is now ordinarily a matter of a few minutes.

Materiel has to do with the property used in the service. The term includes supplies, equipment, and all other kinds of property. Most of the property is purchased on the bid basis. This means that concerns bid on contracts to furnish the property, the contracts specifying kinds, qualities, quantities, etc. The property thus purchased is in charge of various bureaus. Should a part of the organization need property, it is secured by means of requisitions. Complete inventories are kept of property of a permanent character, and a charge is made to the officer responsible for its care. Should the property be destroyed, or should it wear out with use, there must be a survey by officers before the charge against the responsible officer is removed.

In the Navy, one bureau deals with supplies and equipment, another deals with repairs to Government properties and with minor construction work, and a third deals with the major construction work connected with battle-ships and with extensive improvements to Navy yards and stations. A like division respecting materiel is effected in the War Department.

Both in the War Department and in the Navy Department one bureau or department is in charge of supplies and pay. In the Marine Corps the Paymaster's Department has charge of pay, and the Quartermaster's Department has charge of both supplies and property.

Operations include the activities other than those of a recording nature or those respecting property. These involve the movements of ships and of men from one station to another. Like-

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wise, operations have to do with the training of the men and with the various maneuvers that are necessary. Not a little planning and skill is necessary to conduct this part of the work.

Once a person distinguishes between these three main branches of military and naval organization, a large part of the difficulty of understanding the work done is removed. Although the work is distributed between bureaus and departments, it ties in with these main classifications.

Throw away the spark plug and you can't start an automobile. Smother your initiative and you can't start yourself upward.

Some lawyers oppose teaching law to laymen. Their attitude is no more logical than that of a physician who would oppose teaching hygiene or sanitation to the public. A lawyer gains little in fee or in reputation from clients unable to protect themselves legally. Those who reap the larger reward of the profession number among their clients executives who know how and when to use the law as an ally in the game of business.

Do It Better

"It is evident to every thinking man that our industries, on the farm, in the shipyards, in the mines, in the factories, must be made more prolific and more efficient."

—From President Wilson's War Message to the People.

In the present emergency there is one thing every man and woman can do—as a patriotic duty *should do*—and that is: *do the thing you are doing now, better.* There is one most effective way to increase your usefulness, and that is—*study; study the principles on which your work is based, and learn better methods.*

Mastery of Pace Standardized Courses in Accountancy and Business Administration, means mastery both of principles and of organization methods.

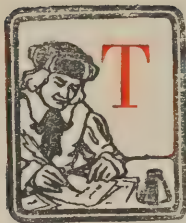
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Coordination

THE other day I visited a business men's gymnasium class. One member of the class caught my attention and held it. He was a man about thirty-five—evidently a newcomer, for he had not yet got the swing of the exercises which the rest of the class were performing rhythmically and in unison. He made a sorry spectacle, as he did the proper thing too late or the wrong thing as a substitute. The class effect was, of course, spoiled. "His trouble is lack of the ability to coördinate his mind and his body," said another visitor, who sat next to me in the gallery. "It's surprising how many folks there are like him—folks that can't make all parts of themselves work in harmony."

There is a fundamental principle in this incident that applies to business. We often see lack of coördination between the mental and the emotional nature of the individual as an individual. Grouchiness, petulance, sarcasm, anger—the whole gamut of undesirable emotions—are the outward evidence of an inner lack of emotional and mental coördination. Then there is the lack of coördination—in planning, in thinking, in doing—between the individual and his or her fellows. In both cases the team-work of the organization as a whole is hampered and clogged—and all because one or more individuals have not learned the meaning of proper coördination. Forget your individualism and coördinate your faculties and your actions.

"Jinxes"

A "JINX"! You read of it in the newspapers when the home team loses a ball game. It slinks into the conversation when the middle-aged job-seeker nervously perches himself upon the edge of your visitor's chair and complains that "things have never seemed to break just right." It lifts its grinning head whenever and wherever the consequences of physical, mental, or moral non-performance are to be glossed over and explained away. The world reeks with tales of the dour deeds worked upon hapless mortals by some kind of "jinx," which malignantly lurks in the shadows of human incompetence, seeking whom it would attack and destroy.

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Out with the truth! A "jinx" is the alibi of cowards and slackers, the refuge of weaklings and whiners, the feeble fortress of dunderpates and fools—when they find themselves tangled up in the web which laziness, bad judgment, and restricted vision have woven about them. A "jinx" has about as much claim upon intelligent credulity as a witch of Colonial repute. It owes its creation to a diseased imagination and a warped perspective toward the law of cause and effect. Belief in its existence and in its maleficence, occasional or persistent, betokens a morbid mentality and a flaccid will.

So bury the "jinx" defence for errors of omission and commission. Bury it deep. Laugh at the obsequies. Then look within yourself for unadmitted causes of admitted effects. Facts—disagreeable facts, perhaps, but illuminating facts, just the same—will reward your search; and facts, profited by, always put a "jinx" to permanent rout.

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MOST of us, be it said to our shame, know but one language—our own, and that imperfectly. The era of foreign-trade expansion is well begun despite the troublous times of war. Men who can speak Spanish or Portuguese or French or Italian—to mention only a few foreign languages—in addition to English, are in market demand even now. It is an old story that manufacturing firms, international banks, exporting and im-

*Mastering
a Foreign
Language*

porting concerns, steamship lines, engineering corporations, and various other kinds of enterprises doing business in foreign lands are on the steady lookout for young men who can speak the language of the land where they are to live. If this has been true in the past, it will be trebly true in the future, when national jealousy and narrow-mindedness will have given way to international comity and understanding. The three-language man or even the two-language man is on the threshold of business opportunity.

There is the cultural side of the matter, too. Many thinking people hold, not without much reason, that no person is well educated unless he knows at least one language other than his own. Imagine the pleasure of reading Dante or Corneille or Racine or Heine in the original! To be able to see things as some of our world

neighbors see them, to be able to think as they think—to grasp their view-point, to be able to scale the same heights of aspiration and idealism as they scale—is not this a fitting reward for the time spent in mastering a foreign language? And the pity of it all is that we do have the time for study, whether we think we have or not. It is not a matter of time at all; it is wholly a matter of inclination, of vision, of will power.

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The Word-smith

“**W**HAT a wordsmith that fellow is!” said one of my business associates, after a certain salesman had gone away. My associate spoke with sincerity and admiration; he was paying a deserved compliment, for our caller’s language—his choice of words and phrases that exactly fitted his meaning—was far out of the ordinary. Yet, like the true artist in any calling, he kept his art—for art there is in the happy and simple use of English—in the background; he was there to sell goods. He did not talk for the sake of talking; he was neither a time-waster nor a language-waster; and in every word-mosaic that he fashioned there was a restrained spontaneity that betokened the word-master. When he came in to see us, we expected to send him away empty-handed; instead, we gave him a small trial order. And there are people still living who say that good English has no particular business value!

Initiative

“**W**HY have you recommended Austin for advancement, and not Stanton?” I asked the head of the Advertising Department. “I don’t see much difference between the two. Both are loyal, energetic, intelligent, and of good address. It seems to me that what one is entitled to, the other is also.”

“What you say is partly true,” replied my friend and associate. “Austin and Stanton are both likely youngsters, and have done good work in my department. There is this difference, though, between them. Stanton needs constant supervision; he needs somebody else to tell him what to do and how to do it. He can’t plan things and carry them out, effectively, on his own initiative. Austin is just the opposite. One short talk with him a week is enough to set him going and keep him going. He thinks ahead, keeps a tickler, makes reports, and advances suggestions of his own. Stanton leans on me all the time, while Austin lets me lean on him. That’s why I have recommended Austin for advancement—so long as he knows the goal he is expected to reach, he can be depended on to hew out his own way of getting there, and, from the

organization view-point, it will be a good way. Do you understand now, why Austin picks the plum?”

“I certainly do,” I replied, as I got up from my chair; “and I venture to say that you have unconsciously put your finger on one of the main reasons why hundreds of other executives single out certain young men for promotion—they want young men who have demonstrated that they can initiate responsibility as well as carry it. Hats off to Austin who knows this to be true.”

THE effective marksman has a definite target for each shot. The effective business man should have a definite target for each effort that he puts forth. Taking each day as a basis, what were the targets for the day? How many shots did you fire? How many hits did you register? It takes patient practice, supplemented by careful analysis of the results of each shot, to attain good marksmanship with a rifle. It takes just as careful training, and just as careful analysis, and just as patient practice, to attain good marksmanship with your mental efforts. The business world to-day demands men who can make high scores.

High Scores

“**T**HEY changed the system and he had to get out.” How often you have heard these words spoken of a discharged executive! Investigate further, and you will probably find that he was of the “old school”; of the type opposed to everything new—a slave of tradition.

Theory and Practice

Experience may broaden or experience may narrow. Sometimes, it depends upon the type of experience; more often, it depends on whether the individual is grounded in theory—whether he knows the basic reasons for doing, as well as the doing.

Theory, without experience, tends toward fruitless, and sometimes disastrous, experiment. Theory teaches the possibilities, experience the probabilities. Early teaching of the professions was based almost exclusively upon experience; later teaching was based almost exclusively upon theory; modern teaching is based upon both. Even the so-called “laboratory” method in the school is now supplemented by actual practice in the factory, in the office, or in the counting-room.

Shall the young man learn theory first and get experience afterward, or shall he get the experience while learning the theory? Practical educators lean to the latter method. They say, Have the young man work while he learns. Spare-time study is based upon the most advanced pedagogic principles.

Get theory, and, with all thy getting, get experience.



THE investigation of of the business of James MacFarland divides into three stages. The first stage concerns his financial condition; the second stage concerns the earning capacity of the business during a period of six years, from its beginning to December 31, 1916; the third stage concerns the steps necessary to create and finance a corporation to take over the enterprise. In the April number of *The Pace Student*, we considered the first of these stages; in the June number, the second; and in this number we shall consider the third stage—that of incorporation.

The fundamental basis for the incorporation is found in the statements considered in the previous issue, though reference to them by the reader is not absolutely necessary. James MacFarland's Balance Sheet as at December 31, 1916, furnishes a statement of the value of assets, existing liabilities, and the capital investment of the proprietor. From the Statement of Profit and Loss for six years ended December 31, 1916, it may be seen that the earnings show a very encouraging return on the investment.

James MacFarland's investment is approximately \$12,000, and the corporation proposes to issue capital stock aggregating \$100,000. It is expected that the increased output resulting from a new contract to be assigned to the corporation, which is said to be a very favorable one, will enable the corporation to earn a fair return on this capital stock. It was decided that the corporation should be known as the MacFarland Manufacturing Company, and that the authorized capital stock of \$100,000 should be divided into 1,000 shares, of the par value of \$100 each—consisting of 400 shares of seven per cent. cumulative preferred stock, of the par value of \$40,000, and 600 shares of common stock, of the par value of \$60,000. The voting power was vested in the holders of common stock.

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The agreement provided that James MacFarland would turn over to the corporation all the assets of his business on the basis of the fig-

ures contained in the Balance Sheet as at December 31, 1916, including cash, with the exception of \$891.04. The corporation is to assume the liabilities as stated therein. MacFarland also agreed to assign to the corporation the new contract and to enter into a contract with the corporation upon its creation to serve as general manager for the term of five years, at an annual salary of \$3,600. For the business turned over and the contract assigned, the corporation was to pay MacFarland capital stock of the par value of \$71,500—consisting of 120 shares of preferred stock and 595 shares of common stock.

After MacFarland was paid, there was left \$28,000 of preferred stock, which is to be offered for sale to secure additional working capital, and \$500 in common stock, to be issued to the incorporators. In the state where the corporation was effected, capital stock to the amount of \$500 had to be paid in before the corporation could commence business. This rule varies as to the amount of capital stock in different states. As an inducement to purchasers of preferred stock, James MacFarland agreed to transfer to a trustee 280 shares of common stock, with instructions to transfer to the purchaser of each share of preferred stock one share of common stock, as a bonus. Thus MacFarland retained 315 shares of common stock, which was sufficient to enable him to control the corporation.

Increased operations incident to carrying out the work on the new contract did not require immediate payment for the 280 shares of preferred stock. Therefore, subscribers to this stock were given the privilege of making payment in four equal instalments; the first instalment to be made upon acceptance of subscription, and the remainder to be paid in 30, 60, and 90 days.

Entries on the books of the corporation to record the foregoing transactions follow:

MacFarland Manufacturing Company

A corporation organized under the laws of the State of _____, with the express and implied powers to carry on the business of manufacturing, buying, and selling brick and tile, and any other manufacturing and trading operations incident thereto. The authorized capital stock is one hundred thousand dollars (\$100,000) divided into one thousand (1,000) shares, of the par value of one hundred dollars (\$100) each, of which four hundred (400) shares is seven per cent. cumulative preferred stock, and six hundred (600) shares is common stock.

Subscriptions to common stock are as follows:

Robert M. Davis	2 shares
S. D. O'Donnell	2 "
D. J. Lake	1 "
Total	<u>5 shares</u>

CASH	\$500.00	
To COMMON STOCK		\$500.00

For common-stock certificates issued to incorporators as follows:

Com.-Stk. Ctf. No. 1—Robt. M. Davis.....	2 shares
" " " 2—S. D. O'Donnell	2 "
" " " 3—D. J. Lake	1 "
Total	<u>5 shares</u>

NOTE.—Some accountants prefer to raise a "Sundry Subscribers' Account" and close it out. Technically, there has never been a liability on the part of the sundry subscribers, because the amount must have been paid in cash at the time of the creation of the corporation. Furthermore, a fuller record is not given by the other method because the Journal is the book for recording transactions, and the full transaction is recorded in the Journal. The entry given contains the names of the subscribers in one place, and would give more complete information than three distinct Ledger accounts raised and closed out.

SUNDRY ASSETS To SUNDRIES.....	\$111,357.50	
SUNDRY LIABILITIES		\$39,857.50
JAMES MACFARLAND, VENDOR.....		71,500.00

For sundry assets taken over and sundry liabilities assumed, in accordance with resolution of board of directors, meeting, 1917, Minute Book, page

JAMES MACFARLAND, VENDOR, To SUNDRIES.....	71,500.00	
SEVEN PER CENT. CUMULATIVE PREFERRED STOCK		12,000.00
COMMON STOCK		59,500.00

For 120 shares of preferred stock and 595 shares of common stock issued to James MacFarland in payment for property acquired in accordance with resolution of board of directors, meeting, 1917. Minute Book, page

SUNDRIES To SUNDRIES		
CASH	2,594.56	
NOTES RECEIVABLE	12,645.00	
ACCOUNTS RECEIVABLE	4,875.00	
INVENTORY—BRICK AND TILE	1,579.00	
INVENTORY—HAY, GRAIN, AND SUPPLIES.....	475.00	
REAL ESTATE	5,250.00	
BUILDINGS, KILNS, AND MACHINERY	23,460.00	
HORSES AND MULES	2,500.00	
WAGONS AND HARNESS	1,265.00	
LOOSE EQUIPMENT	200.00	
PREPAID INSURANCE	1,006.94	
STRIPPING CLAY BED	400.00	
GOOD-WILL	60,000.00	
RESERVE FOR BAD DEBTS		622.50
RESERVE FOR DEPRECIATION—BUILDINGS, KILNS, AND MACHINERY		8,538.00
RESERVE FOR DEPRECIATION—WAGONS AND HARNESS.....		632.50
RESERVE FOR DEPRECIATION—LOOSE EQUIPMENT		100.00
SUNDRY ASSETS		111,357.50
	<u>\$121,250.50</u>	<u>\$121,250.50</u>

To raise accounts for assets taken over, in accordance with resolution of board of directors, meeting, 1917. Minute Book, page

**Incorporation
Entries**

(Continued)

SUNDRY LIABILITIES To SUNDRIES.....	\$39,857.50	
NOTES PAYABLE		\$12,500.00
ACCOUNTS PAYABLE		6,870.00
INTEREST ACCRUED		487.50
FIRST MORTGAGE (6 per cent.)		20,000.00

To raise accounts for liabilities assumed, in accordance with resolution of board of directors, meeting, 1917. Minute Book, page

SUNDRIES To STOCKHOLDERS' SUBSCRIPTION ACCT.	28,000.00
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For subscription to 280 shares preferred stock, payable as follows:

Cash	1/4	60 days.....	1/4
30 days	1/4	90 days.....	1/4

INSTALMENT NO. 1	7,000.00
" " 2	7,000.00
" " 3	7,000.00
" " 4	7,000.00
	<u>\$28,000.00</u>

CASH	\$ 7,000.00	
To INSTALMENT NO. 1		\$ 7,000.00

For cash received in payment of Instalment No. 1 upon acceptance of subscriptions.

The remaining Journal entries as to cash payments of instalments will be similar to the preceding entry.

Upon the receipt of the final instalment for subscriptions to preferred stock the stock certificates are to be issued. The entry to be made is as follows:

STOCKHOLDERS' SUBSCRIPTION ACCOUNT	\$28,000.00	
To SEVEN PER CENT. CUMULATIVE PREFERRED STOCK		\$28,000.00

For preferred-stock certificates issued as under:

		Shares
Pfd.-Stk. Ctf. No.....A.....		xx
" " " " B.....		xx
Etc.		xx
Total.....		<u>280</u>

Productive Summer Study

For Accountants and Business Men

IN many Organizations the busiest period of the business year occurs between January and June. This is especially true in the offices of Certified Public Accountants.

IT follows, therefore, that many Senior and Junior Accountants must plan for their professional educational training in the summer months. Office executives of many Commercial and Industrial Corporations also have more time available for study after June 1st.

DURING the entire year, Pace Institute provides Instruction in Accountancy and Business Administration, English, and Public Speaking. The summer resident classes at 30 Church Street, New York, are available to persons in the Metropolitan District. Outside of New York, summer instruction is conducted through the mails, under the direction of the Extension Division of Pace Institute.

PACE & PACE

30 Church Street

New York City

(Continued)

a given amount for the goods, and therefore he is obligated to deliver the goods to B at the price agreed upon. Inversely, if A offers B goods at a given price, and B then accepts a part of the goods, this constitutes an acceptance of the offer. With respect to the latter, there are many cases in which it would seem that if goods are forwarded as a result of negotiations, with an invoice, a failure to return the goods within a reasonable time constitutes an acceptance. It would seem that if there had been no negotiations and the goods are sent on trial, with the invoice, as the result of no solicitation on the part of the person to whom they are sent, the mere failure to return the goods does not constitute an acceptance. It is the safer policy, when this is done, immediately to notify the person sending the goods, saying that they are not acceptable and request their removal. If the person has the election to hold the goods or to return them by a specific date, retention beyond that date constitutes an acceptance. Likewise, if a person receives and accepts an amount of goods in excess of the quantity named in a contract, an acceptance is performed of the goods at contract price and he is obligated to pay.

Acceptance may be by agent. It must appear, however, that the agent had authority to accept. For instance, where an offer read "by acceptance of an executive officer of this company," an acceptance by an agent, not an executive officer, is not a valid acceptance.

One interesting case involving offer and acceptance was the case of a salesman. The defendant offered to pay his expenses and a royalty if he would go to a certain place and sell goods for the defendant. Before he received the offer, the salesman sent a letter to the defendant stating that he would sell the goods only at a fixed salary, named in his letter. Without further negotiations, the defendant requested him to go to the place and make sales. It was held that the defendant by requesting the plaintiff to undertake this work accepted the offer of the plaintiff to work for the fixed salary named, and a valid contract resulted. These cases illustrate the circumstances under which conduct will be construed as acceptance of an offer.

Furthermore, the acceptance of an offer must be unqualified and unconditional. For instance, Jones offers Brown a quantity of potatoes at \$8 a barrel, and Brown replies, "Will accept your offer at \$7.50 a barrel." This cancels the offer of Jones at

the time Jones receives the rejection. The legal effect is that in the first instance Jones offered potatoes to Brown for a price. The rejection by Brown canceled this offer and substituted another offer from Brown to Jones. The substituted offer was of cash for potatoes. This substituted offer must be accepted by Jones before a contract would result. Thus the person who in the first instance made the offer may ultimately become the acceptor of an offer made by the other party. Much of the confusion in the minds of students on this subject is due to the fact that the original offeror, and the original person to whom the offer is made, may, in the course of negotiations, reverse their positions, the one being the acceptor of another offer, and the other the offeror instead of acceptor.

You will note, I mentioned that a rejection was effected as at the time it is received by the person who made the offer, and that from that time the offer is canceled. Furthermore, the rejection, if arising out of a qualified "acceptance," may constitute a new offer. Another difficulty consists in determining when an acceptance is communicated. For instance, an offer might be by mail and the reply by telegram, or the same means of communication may be used both for the offer and for the reply. If the reply is made by the same means of communication as was used to convey the offer, then the reply is effective from the time it is turned over to the agency operating the means of communication. Thus, if an offer is sent by mail, the reply is effective from the time it is deposited in the post-office. If the offer is sent by telegram and the reply is by telegram, the reply is effective from the time it is turned over to the telegraph company.

On the contrary, if a different agency is used for reply, the reply is not effective until received by the person making the offer. Thus, if an offer is sent by a telegram and a reply is mailed, the reply is effective upon receipt by the person making the offer.

The theory is, that the means of communication adopted by the offeror becomes the agent of the offeror for the receipt of the reply. Immediately upon delivery of the reply to the means of communication adopted by the person making

the offer, it constitutes a delivery to that person. On the other hand, if a different means of communication be used for the reply, then there is no delivery to an agent of the offeror when the reply is turned over to the transmitting organization, and delivery is not effective until the communication reaches its destination.

Assume that A offers B a quantity of goods by telegram. B rejects the offer by mail. Before the letter reaches A, a telegram is sent to A accepting the offer, which arrives in advance of the rejection. In this case, there would be a valid contract, because until the rejection reached A it was not effective. A mails an offer to B, and B deposits a rejection in the mail. B later telegraphs accepting the offer. The telegram reaches A before the letter. Here there would be no contract for the reason that upon deposit of the rejection in the mail box the original offer was canceled.

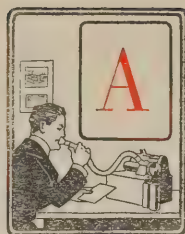
With these examples in mind, the main principles lying behind offer and acceptance may be readily understood. These principles apply unless there is some agreement between the parties which might change the situation. For instance, in making the offer it might be deemed advisable to state in the offer certain conditions as to acceptance. It is not unusual to use the limitation: This offer must be accepted by mail received here on or before a specified date. In cases where parties are negotiating respecting a commodity wherein there are many price fluctuations, such a sentence is desirable.

MILTON BERNSTEIN, Detroit School of Accountancy '17 and for several years at the head of the accounting department of the Robinson Cohen Company, has entered into the practice of Public Accounting with offices at 300 East Euclid Avenue, Detroit, Mich.

THE KANSAS CITY SCHOOL OF ACCOUNTANCY, LAW AND FINANCE, Kansas City, Mo., has completed the organization of a Student Society. Mr. T. H. Brading, 810 Lathrop Building, Kansas City, has been elected as the first president. The meetings will be held regularly every two weeks during the summer, and once a month during the school year.

Become physically fit—this is no time for a man of military age to be soft of muscle or short in wind. Train!

Horatio
N. Drury,
B.A.



QUALITY most desirable, but most difficult to attain, in the use of spoken and written English is freshness—a somewhat new way of saying things. "Original," we call the exceptional man or the woman who uses language happily and freshly; and originality in the selection and invention of phrases and sentences, while it may startle us a bit, always makes us agreeably attentive. It is this originality, this freshness, this vividness in the use of language, which we find prodigally present in the writings of the masters and makers of literature.

Originality

To tell just what is the source of language that holds us with its power and charm is hard. It is certain that back of it, there must be a well-stored and a quick-working mind, a capacity for feeling and visualization, an understanding of the beauty and the verities of human life, a conviction that, after all, it is the message, the picture, the call to action, not the language itself, that primarily counts. These are the springs—some of them, surely—that overflow in language pure and undefiled, and fall like music upon the ear.

It is the little mind, the mind with narrow outlook and limited compass, that expresses its concepts in stereotyped words, phrases, and sentences. Conversely, the richer our experience, the wider our observation, the better developed our power of ratiocination, and the loftier our imagination, the more natural it is that we use language happy in its phrasing and rich in its suggestiveness.

The following paragraphs from the writings of some of the world's most highly esteemed authors, illustrate more clearly than could pages of explanation, what is meant by originality—freshness of style:

"The one common note of all this country is the haunting presence of the ocean. A great faint sound of breakers follows you high up into the inland cañons; the roar of water dwells in the clean, empty rooms of Monterey as in a shell upon the chimney; go where you will, you have but to pause and listen to hear the voice of the Pacific. You pass out of town to the southwest, and mount the hill among pine-woods. Glade, thicket, and grove surround you. You follow winding, sandy tracks that lead nowhither. You see a

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deer; a multitude of quail arises. But the sound of the sea still follows you as you advance, like that of wind among the trees, only harsher and stranger to the ear; and when at length you gain the summit, out breaks on every hand and with freshened vigor that same unending, distant, whispering rumble of the ocean; for now you are on the top of Monterey Peninsula, and the voice no longer only mounts to you from behind along the beach toward Santa Cruz, but from your right also, round by Chinatown and Piras Lighthouse, and from down before you to the right of the Carmello River."—Stevenson.

"And I thought of the widows and orphans he [Napoleon] had made; of the tears that had been shed for his glory, and of the only woman who ever loved him, pushed from his heart by the cold hand of ambition. And I said I would rather have been a French peasant, and worn wooden shoes. I would rather have lived in a hut, with a vine growing over the door, and the grapes growing purple in the amorous kisses of the autumn sun. I would rather have been that poor peasant, with my wife by my side knitting, as the day died out of the sky, with my children upon my knees and their arms about me. I would rather have been this man and gone down to the tongueless silence of the dreamless dust, than to have been the imperial personation of force and murder known as Napoleon the Great."—Ingessoll.

"This is the high enterprise of the new day: to lift everything that concerns our life as a nation to the light that shines from the hearthfire of every man's conscience and vision of the right. It is inconceivable that we should do this as partisans; it is unconceivable that we should do it in ignorance of the facts as they are or in blind haste. We shall restore, not destroy. We shall deal with our economic system as it is and as it may be modified, not as it might be if we had a clean sheet of paper to write upon; and step by step we shall make it what it should be, in the spirit of those who question their own wisdom and seek counsel and wisdom, not shallow self-satisfaction or the excitement of excursions whither they cannot tell. Justice, and only justice, shall always be our motto."—Woodrow Wilson.

"What gives the great fertility to

the blue-grass region is the old limestone rock, laid down in the ancient Silurian areas, which comes to the surface over all this part of the state and makes the soil by its disintegration. The earth surfaces seems once to have bulged up here like a great bubble, and then to have been planed or ground off by the elements. This wearing away process removed all the more recent formations, the coral beds, and the conglomerate or other rocks beneath them, and left this ancient limestone exposed. Its continued decay keeps up the fertility of the soil. Wheat and corn and clover are rotated for fifty years upon the same fields without manure, and without any falling off in their productiveness. Where the soil is removed, the rock presents that rough, honeycombed appearance which surfaces do that have been worm-eaten instead of worn. The tooth which has gnawed, and is still gnawing it, is the carbonic acid carried into the earth by rain-water. Hence, unlike the prairies of the West, the fertility of this soil perpetually renews itself."—Burroughs.

From the foregoing very different types of writing, one is able to get a definite impression of what freshness or originality of style consists in. Obviously, to be able to express new thoughts in a new way, or old thoughts in a new way, is a most desirable quality to cultivate; and cultivated it can be, provided we read widely and wisely and then incorporate within our own vocabulary the fruits of our reading.

A THREE months' intensive course in physical training for military service is one of the notable contributions to national preparedness on the part of the Twenty-third Street Branch of the Young Men's Christian Association. The course is intended for young men who are in training for military service, or who expect to enlist and wish to get into condition to withstand the privations and hardships of military life.

All authorities agree that physical training is of great value in getting men ready for military duty. General Leonard Wood, the originator of the Plattsburg idea, and one of the foremost advocates of preparedness, says: "Give us the men in good physical condition, and we will make soldiers of them in three months." Dr. Tait Mackenzie, director-general of physical training in the armies of Great Britain, also declares that the greatest task of military preparedness is to put the men in good physical condition.

"MACHINERY as an Aid to Accountancy," is the title of a lecture delivered by Lawrence R. Dicksee and published by Gee & Company, Ltd., London. It is interesting to note the attitude taken by so important a member of the British profession toward mechanical expedients—an attitude which seems to have been forced upon the British accountants by labor conditions due to the war. In his opening paragraph Mr. Dicksee says:

"... At a time like the present, when something like sixty or seventy per cent. of those skilled in accounting methods are serving with the colours, or are in some other way engaged upon war work, the problem of producing the best possible results with the very limited amount of skilled labour at present available for the purpose becomes one of paramount importance."

One after another various mechanical devices are mentioned which are familiar sights in the American business office. The typewriter, the multigraph, the comptometer, the adding machine, the dictating machine, the time recorder, and several others more or less familiar to us in the United States are enumerated as having made their entrance, without doubt to remain, in the British business office.

Speaking of the adding machine, Mr. Dicksee says:

"At one time facility in rapid adding was regarded as an essential part of the education of all clerks. But, however that may be, I venture to think that you will all agree with me when I say that the educational value of this work is absolutely nil; that, save as a means of equipping the clerk to perform necessary work, the time occupied in acquiring a facility in rapid addition is really time absolutely wasted. Formerly there was no alternative process available, and therefore this facility had to be acquired—often with considerable labour. Under present conditions, it seems to me that this labour is very largely unnecessary."

Again Mr. Dicksee says:

"There is a popular impression that the general introduction of machinery has eliminated much joy from the life of the average worker. One hears of the 'monotony' of ma-

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chinery, of how its constant working tends to turn even human beings virtually into machines themselves. . . . How many telegraph boys are there who would prefer to walk, rather than to use a bicycle? And how many of them—if they had the chance—would not prefer a motor-cycle? . . . The point that I want to emphasize is that it is not machinery that is monotonous, but, rather, work itself. . . . Thus, we all know that practically the only feeling of exhilaration that could possibly be evolved out of adding numerous columns of figures, is the contemplation of a considerable mass of such work actually accomplished, and accomplished within a very satisfactory period of time."

The summing up of Mr. Dicksee's lecture is of particular interest in its presentation of the conservative British mind forced by war conditions to adopt the labor-saving devices to which it has so long turned a cold shoulder.

"With us rests the responsibility of keeping 'going,' with greatly diminished staffs, the business of this country, whether that business be the manufacture and transport of munitions of war, or the maintenance— and if possible, the extension— of that trade upon which our prosperity and supremacy so largely depended in times of peace. . . . We have yet to demonstrate, upon anything like a large scale, the enormous saving in human labour that is possible by the well-directed employment of suitable machinery. As I have briefly indicated in the course of my lecture, all necessary machinery for that purpose is at the present time really available; all that is required is that we should overcome our prejudice against using it, and turn our attention to the consideration of the problem as to how it may be used most extensively, and to the best advantage. In this connection I would like you to bear in mind that practically all the various devices that I have enumerated in the course of this lecture are already in general use. Probably most of them are

better known to the average business man of intelligence than they are to the professional accountant. Unless the Accountant is content to be pushed aside, and to be dispensed with, it behooves him earnestly to grapple with this problem of the application of machinery to office conditions."

AMONG the many commendatory letters received by The Pace Student on the patriotic issue, one is of particular interest. The writer is a man who has served his country in a branch of the service which engages in more campaigns than probably any other branch—the United States Marine Corps. He writes:

I have just finished reading my copy of the May Pace Student, and it has appealed so strongly to me that I cannot but help writing you in order to inform you of my deep appreciation of all that it contains.

I wish to thank you and your staff as a soldier for placing before the public such an accurate and detailed description of military organization and its problems as you have done in this Magazine. There are very few citizens of our country who know anything whatsoever of the organization of the Army or Navy of their country, and if they could but read the articles in your Magazine I feel sure they would regard these organizations in a much different light from that in which they do at present.

As a former member of the Marine Corps (1904-08), I thank you again for mentioning this branch of the service, and most particularly so for inserting the motto of the Corps in your article: "*Semper Fidelis*."

That I will cherish this copy of The Pace Student is a foregone conclusion, and I know that there will be many who, in reading over this copy of The Student, will say with me, if events prove such that we may have to fall in: "I expect I'll meet Bill and quite a few of the other boys, when I report to the Colonel again."

CONRAD LEICK, JR., Pace Institute, has resigned his post on the auditing staff of the Employers Liability Assurance Corporation to accept a position with Chubb & Son.

Cool summer mornings are fine for study—have you ever tried the period from 6 to 7? A cold shower, plunge, or sponge helps in getting started.

A
Soldier's
Appreciation

Personal Notes

RAYMOND H. FOGLER, graduate of Princeton University, has accepted, through the Pace Agency for Placements, Inc., a position on the staff of the plant department of the American Telephone and Telegraph Company.

CHARLES E. VICTORY, Pace Institute, has recently been nominated for assistant appraiser of merchandise, Custom House, District No. 10, by President Wilson. Mr. Victory's nomination has been confirmed by the Senate.

E. A. CRAWFORD, formerly engaged in the accounting department of the New York Edison Company, has accepted, through the Pace Agency for Placements, Inc., the post of assistant auditor of the River Plate Commercial Company.

ALFRED O. WASHBURN, formerly educational director of the New Britain Young Men's Christian Association, has accepted, through the Pace Agency for Placements, Inc., the post of executive secretary of the Seamen's Church Institute, New York City.

Respect for other persons' rights wins respect for your own.

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PHILIP B. THOMAS, formerly on the staff of the David W. Wood Audit Company, has joined the Accountancy staff of George H. Church, C. P. A.

CHARLES S. DUNCAN, formerly assistant to the president of the General Vehicle Company, has accepted, through the Pace Agency for Placements, Inc., the post of executive secretary of Mr. R. H. Montgomery of the firm of Lybrand, Ross Bros., & Montgomery.

EDWARD SCHRAM, New York Institute of Accountancy, has accepted the position of bookkeeper with the Commercial Acetylene Welding Company. Mr. Schram was formerly employed by the Mercereau Metal Bed Company.

ERNEST H. BENSON, Pace Institute, Extension Division, who was formerly in the employ of the Detmer Woolen Company, Pittsburgh, Pa., has accepted a position on the bookkeeping staff of Andrews & Company, New York City.

WILLIAM J. HEANEY, New York Institute of Accountancy, has resigned his position with the Forstman & Hoffman Company to accept a position in the accounting department of The American Water Works and Electric Company.

JOHN K. HAMPTON, a student of the Pace Standardized Courses given under the auspices of the Drake Commercial Schools, Bayonne, N. J., has recently resigned his position in the Vacuum Oil Company to accept a position in the August Mietz Engine Works.

ALBERT M. GUIDERA, Pace Institute, has accepted a position in the accounting department of The Brunswick - Balke - Collender Company. Mr. Guidera was formerly employed in the office of the president of the Borough of Queens.

Conserve your health and the Nation's food supply—adopt the plan of two meatless days a week for your own and the Nation's good.

Gardens require cultivation as well as planting—keep the soil well stirred if you expect to add to the Nation's food supply.

Measures of Business Activity

Bank Clearings

Entire country estimated from complete returns from cities representing 93.6 per cent. of the total. Percentages show changes from preceding year.

	The Last Week.	P.C.	The Week Before.	P.C.	Year to Date	P.C.
1917.....	\$5,804,000,000	+21.0	\$5,562,000,000	+27.2	\$131,086,200,000	+23.2
1916.....	4,792,000,000	+55.1	4,371,000,000	+35.1	106,371,166,598	+43.4

Gross Railroad Earnings

	Fourth Week in May. 21 Roads.	Third Week in May. 25 Roads.	Second Week in May. 26 Roads.	Month of April 181 Roads.	Jan. 1 to Feb. 28. 217.753 Miles.
1917.....	\$13,646,572	\$9,319,281	\$9,441,547	\$316,482,921	\$538,314,430
1916.....	11,732,223	8,420,918	8,331,040	279,619,943	497,397,671
Gain or loss	+\$1,914,349 +16.3%	+\$898,363 +10.6%	+\$1,110,507 +13.3%	+\$36,862,978 +13.1%	+\$40,916,859 +8.2%

The Car Supply

Net surplus of all freight cars	May 1, 1917.	April 1, 1917.	1916.	1915.	1914.	1913.	1912.	1911.	1910.
*Net shortage	*145,499	*144,797	33,361	291,303	228,879	39,799	138,881	187,2781	22,593

To one who is able to read the story behind the figures, the above table (taken from The Annalist of June 11th) is of great interest.

Judging from the Bank Clearings, Business, though an increase is shown, is becoming more conservative. The cause for this may be found in the figures showing the Car Supply.

The Annalist a weekly financial magazine, published every Monday, contains the above table, with figures including the preceding business day.

THE ANNALIST

TIMES SQUARE NEW YORK

Send the Annalist for one year to the address below, for which I enclose \$4.00

Name.....
Street..... City.....

The PACE STUDENT

Vol. II

New York, August, 1917

No. 9



CONCERNING the recent New York state military census, Dr. Frank Crane remarked that the newspapers gave more space to the less than a score who did not register than to the ten million who did. This accords with the saying of Chesterton, that the complete picture newspapers give of life is, of necessity, fallacious; they can represent only that which is unusual.

Accountancy studies and Law studies are pervaded by the same disproportionate attention to the short-comings of the minority of humanity. Auditing can be learned only by studying the cunning trickery of defaulting employees and of defrauding employers. Law students must read case after case involving violations of law, abuse of trust, infidelity of partners, of directors, of officers, and human malfeasance in business transactions. If a keen sense of proportion is not maintained, students are likely to reach the conclusion that humanity is as bad as humanity is painted.

It is not a question of getting everything into the picture, but a question of emphasis. To serve their fundamental purpose, these studies must unduly emphasize that which is not ordinary. The picture of life which they present must be the reverse of life as life is.

If the student is to have a true perspective of humanity, he must occasionally look at the other side—the larger side. Let him read the biographies of men who are doing the big things

toward making the world brighter and better; let him familiarize himself with the events that disclose the favorable tendencies in the development of the human race. Unless this be done, the value of his technical training may be negated by his unfounded loss of faith in humanity.

INTENSIVENESS of Balance Sheet audits has been a frequent subject of discussion among accountants in public practice. Various opinions

Balance Sheet Audits

have been expressed as to the extent to which the items appearing on a Balance Sheet should be verified. A recent publication of the Federal Reserve Board would tend to make the practice of accounting, as regards Balance Sheet audits, more uniform. This publication in pamphlet form, is entitled "Uniform Accounting," and in twenty-five pages presents a concise outline of the several steps to be taken in a Balance Sheet audit.

The pamphlet is the result of recommendations submitted by the American Institute of Accountants, and approved by the Federal Reserve Board in conjunction with the Federal Trade Commis-

sion. For the student it contains an excellent view on the several phases of a Balance Sheet audit.

A letter from the Federal Reserve Board to The Pace Student states that this pamphlet has been very generally issued, and that only a limited supply is now available. Those interested may still secure copies, however, by forwarding the nominal sum of five cents to the Federal Reserve Board, Washington, D. C.

Intake or Output?

WHAT can you *get*? *Get*, do you say? As to position, as to income, as to pleasant hours of work, as to opportunities for advancement, do you mean? It all depends, young fellow, on what you can *give*. *Give*, not *get*, is the word for you to think about first. *Getting* is the result of *giving*. What can you *give* in loyalty, in industry, in ability, in constructive suggestions, in coöperative effort, in capacity for growth and the assumption of responsibility? Answer that question to the satisfaction of those that employ you, and forget the *getting* part of your program. *Give* and you will *get*.

RECENT scientific investigations in munitions plants disclosed that the fatigue of workmen decreased the volume of productivity and increased the number of errors. Periods of rest were instituted. Men on piece work did not want to stop for the rest periods. They were compelled to, and careful records showed increased output.

The Army and the Navy afford excellent examples of the relation between efficiency and the comfort, health, and contentment of employees. Competent Army officers must constantly give attention to the minutest details. Not infrequently they must personally see that men, completely tired out after a day's marching, follow the fundamental rules of hygiene.

When the new Navy building was constructed at Washington, naval surgeons had charge of the sanitary arrangements. Among their duties was the selection of the color of the paint on the walls, and they adopted a color which would at once diffuse the light and be restful to the eye.

As careful planning did not characterize the selection of floor covering for a bank in Pittsburgh. This bank covered the floor with rubber matting. As in most banks, a number of employees stood all day. Soon after the covering was put down there was a noticeable lack of energy, and a run-down in the efficiency of the men. Investigation disclosed that it was caused by the rubber matting. Accordingly the floor covering, which had cost a neat sum, was removed.

Material surroundings may aid or deter effective labor management. Seeming trifles turn the scale one way or the other. Heat, light, ventilation, and sanitation deserve a large share of attention. Unless these conform to the basic rules of health, efforts to stimulate human production may fail.

IN a recent address on the Swiss system of military training, Dr. Charles W. Eliot told the Economic Club, of Boston, the following story of an interview between the Kaiser and a Swiss general:

The Kaiser attended a great shooting festival in Switzerland. He asked the Swiss general how many men Switzerland could put into the field within a week. The general replied, "Five hundred thousand men." The Emperor said, "What if I could come against you with a million men?" "In that case, Your Majesty, we should all have to shoot twice," replied the general.

Dr. Eliot told the story to emphasize the efficiency of the Swiss system. This system of military training starts with the school. The entire

male population must go through a course of physical training while attending Swiss schools. This physical training does not involve any military training. The Federal Government supervises this training by means of inspectors.

In addition to the physical training, the students engage in target practice. Not until they have had this training in both physical culture and target practice is field instruction given.

Each young man in his twentieth year serves in the field from sixty-two to ninety-two days, depending upon the branch of the service. Between his twenty-first and twenty-eighth year he serves a period of thirteen days, seven times. Each Swiss soldier between twenty-two and forty serves in the field one week every second year. Between forty and forty-eight the Swiss soldier is called to the colors twice, for one week.

Dr. Eliot claims that the Swiss system should be adopted by the United States. It would seem that after the present emergency some means should be adopted to insure permanent preparedness, and that a system similar to that used in Switzerland would probably serve the purpose.

FIGURES presented at the thirty-sixth annual general meeting of the Institute of Chartered Accountants (Great Britain) show a membership on the first of January, 1917, of 4,938. The patriotism of members was evident from the fact that 1,076 members and 1,421 articled clerks had joined the colors. During the year, 1916, thirty-one members were killed in action. Decorations were awarded to twenty-three members and nineteen articled clerks for meritorious service in the war.

On account of war conditions, there was a falling off of sixty-three in the members of the Institute who are in practice, and a falling off of one hundred in the number of articled clerks registered during 1916.

KEEPING certain types of patriotic men out of the firing line has been one of the hardest problems with which England and France have had to cope during the present war. The types of men referred to are men who, by reason of special training or occupation, were able to render a more useful service to their country away from the trenches than in them—for example, machinists, accountants, electricians, and carpenters. It is well for Americans to bear this point in mind—that service at the front, while imperative for certain units, is made resultful only in proportion as those who provide the equipment and aid in the organization of resources do their work well.

ONE of the most amazing monuments to American pluck, foresight, and capacity to create business opportunities, is found in the J. C. Penney Company, Inc., which owns and operates a chain of 175 retail dry-goods and clothing houses in towns and small cities throughout the Middle and Far West. These stores are known as the "J. C. Penney Golden Rule Stores."

J. C. Penney, a man in his forties to-day, is the chairman of the board of directors of this Aladdin's Lamp enterprise, which does a yearly business of \$12,000,000, and which is still growing with almost inconceivable rapidity. Eighteen years ago, Mr. Penney, then a stripling of twenty-three, was a clerk in a small dry-goods store in Wyoming, getting \$12 a week. In his personal development is wrapped up the development of a big idea; and it is with this idea—the history and the growth of it—that this article must largely concern itself, for Mr. Penney is a man who shrinks from personal publicity.

"What we have accomplished [we, mind you, always, not I] has been due to the most intensive coöperation on the part of everybody connected with every one of our stores," said Mr. Penney. "The plans of management have been worked out with the purpose of making coöperation worth while for the individual. There has been no overlordship of the dictatorial kind. Every one connected with our organization feels himself, not an employee, but a member of it; and indeed he is, for our plans of operation insist that every man, before he is employed, be of partnership timber, and that, as soon as he has proved his worth, he be made a partner, paying for his partnership interest out of the earnings of the store or stores which he has helped to build up."

Here is the big idea—the partnership idea. No man is hired unless he has in him the possibilities of some day becoming the manager of a store. As soon as a store has proved profitable and accumulated a sufficient cash surplus, the manager of that store opens a branch store in another town, putting in as manager one of his own men who has proved his worth as a salesman. This new manager, if he makes good, becomes a partner in the new store and proceeds to do as the first manager did—open additional stores and put them in charge of men whom he has trained as managers. In other words, each partner (no store can have more than three partners) starts new chains of his own as op-

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portunity warrants, the earlier partners being naturally interested in more stores than are the younger men. Incentive is therefore given to every manager to be on the lookout for new partners and new stores. Hence, the motive for new business and expansion, coming from within the organization itself, makes the chain-method of development become stronger in proportion as it becomes larger.

The Penney Organization does not believe that the large cities offer the



J. C. Penney

Chairman, Board of Directors
J. C. Penney Co., Inc.

only field for the chain store. Consequently, the stores of the chain are found in such relatively small places as Walla Walla, Washington; Albuquerque, New Mexico; and Fargo, North Dakota. Neither is the organization so particular about location as are many of the other so-called chain stores. If the rent is exorbitant, the Organization takes the next best choice; and the people patronize the store just the same, largely, no doubt, because prices are never marked down or up in the J. C. Penney Golden Rule Stores.

The stores handle only staple goods. There are no flamboyant sales, no flamboyant bargain days. The best possible values at the lowest possible prices, day in and day

out, is the undeviating motto of the Penney Organization. Prices that return a fair profit are kept down largely because of centralization and conservatism in buying, which is always for cash. Few models of garments are ordered for a store in any one town—only as many as the store knows can be sold immediately. Only small store-stocks are carried, and these are turned over five or six times a year. It is easy to see that the individual dealer, buying and selling on credit and maintaining an expensive delivery system, has a hard time competing with any one of the J. C. Penney Golden Rule Stores, which buy and sell for cash only, do not deliver goods, and are constantly turning over their stocks.

The Penney Organization sometimes comes into competition with national advertisers. If the organization is not allowed to cut the prices on an advertised article, it has the manufacturers make that article up for them under a private brand. It can easily be seen why the Golden Rule Stores sell few advertised goods.

The greatest problem confronting the Penney Organization is to get men of the right caliber. Mr. Penney himself gives this matter a great deal of personal attention. He believes in a low initial salary, because, in his own words, "The average man gets his pockets mixed; that is, instead of living on the money in his own pocket, he lives on that in the pocket of his business. He does not run his business as a thing distinct in itself; he confuses himself with it, and so begins to think that he and the business are one; that its profits are his to use as he will; that its current cash is always available for his passing needs and pleasures." Every man entering the employ of the Penney Organization, having a partnership to look forward to, sees the wisdom of the low initial salary, the long hours, and the hard work.

If Mr. Penney believes in humble beginnings for all who enter the employ of the Penney Organization in order that they may prove the kind of backbone they have, it is no more than his own career has exemplified.

One morning in early April, 1902, Mr. Penney, his wife, and little son arrived in Kemmerer, Wyoming, with little capital, but with a big supply of energy and enthusiasm. This was Mr. Penney's first store, the dimensions of which were 25 by 45.

"A half story above the store"—to use Mr. Penney's own words, "a room in a half finished condition—

Who's
Who

Biographical
Sketches
of Men of
Affairs

J. C. Penney provided housing accommodations. Little furniture was required; our sole ambition was to make a success of the little store; consequently, our physical needs were of secondary consideration.

(Continued)

"The store was capitalized at \$6,000—I having a one-third interest, was compelled to borrow \$1,500 to put up my share; the balance of the stock was owned by Messrs. Johnson and Callahan, who have been important factors in my life.

"The store opened on April 14, 1902. The first day's sales were \$466.59; the total sales for the eight and one-half months following, \$28,898.11.

"The seed thus planted, by careful watching and nourishment, grew, and Kemmerer has shown a large increase in sales.

"The mother-store—and we speak of it thus, with due reverence—has born a number of our best men; and the training they have received has been handed down until the men who have come out of Kemmerer are important factors in the mercantile world to-day.

"Surely the mother-store is proud of her sons, and she is continuing to train men; the principles that made the store famous are still in vogue.

"It can be truthfully said that customers who traded with us on our opening day, are doing so to-day, and nowhere are there any more loyal customers than those at Kemmerer."

And to-day, fifteen years later, the Kemmerer store is but one of 175 J. C. Penney Golden Rule Stores, and \$28,898.11 of annual receipts have given place to a round \$12,000,000! A stupendous growth—almost too vast for the human imagination to grasp!

Any number of lessons stimulating to American youth might be drawn from the development of the Penney Organization, and set forth by way of an ending. One of them is that hard work, pluck, a big idea, and far-seeing vision, rightly directed, have limitless opportunity in this big country of ours to take root, thrive, and yield the most abundant of harvests in financial reward and in the righteous self-satisfaction that comes to those who have been constructive forces for service and for good in the lives of their fellow-men.

MORE and more men of accounting training are going into public service with the various commissions. Formerly, civil service examinations were based almost exclusively on antiquated

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bookkeeping procedures. With the substitution of examinations in more modern methods, at least for certain of the positions, the opportunity of the trained accountant has been broadened.

Especially gratifying, in this connection, is a letter recently received from one of the accountants of the Public Service Commission for the First District, New York. The writer is Mr. Thomas J. Kelley, and he writes:

"I am especially pleased, however, that this inquiry gives me the opportunity to express my appreciation of the Pace Courses, both the Accountancy and Pedagogy. I have them to thank, not only for the means of securing my present position, but for a broadening of horizon that has led me, since enrolment, from clerkship to a point where I can set my 'go-ahead stake' on the road to Accountancy in its higher forms. I am one, therefore, in whose life the name 'Pace' has made a real difference."

CHARLES NEVILLE, C.P.A., J. T. McIVER, C.P.A., M. H. BARNEES, C.P.A., and W. H. SKENE, C.P.A., announce the formation of a partnership for the practice of Accountancy, under the firm name of Charles Neville & Co., with offices in the National Bank Building, Savannah, Georgia. At the present time Mr. Neville is divisional auditor for the United States Government at the Army cantonment, Louisville, Kentucky.

J. HAROLD WREN, C.P.A., Pace Institute, Washington, D. C., has been appointed manager of the new offices of Rawlings, Hill & Company, Certified Public Accountants in the Mutual Building, Richmond, Virginia.

AMONG the many helpful pamphlets distributed by the Guaranty Trust Company, of New York, is an Income Tax Record Book. The form is a good one, and the column captions are given here for the benefit of those who may not have secured the book.

The book divides into three parts: one, entitled "Income Register"; the second, entitled "Allowable Deduction Register"; and the third, "Securities Register."

The following will indicate the form of each of these registers, the

general columns being to the extreme left, and the subcolumns indented. Thus, Income Distribution is a general column, under which there are subcolumns, each of which is further divided into subcolumns. The forms follow:

INCOME REGISTER

Date.
Description of Income.
Amount of Exemption Claimed on Certificates.
Total Income.
Income Distribution.
Coupons.
Tax Withheld or Paid by Company.
Tax Not Withheld.
Govt., State or Municipal Bonds.
Dividends.
Domestic Companies.
Foreign Companies.
Mortgage, Interest, etc.
Tax Withheld.
Tax Not Withheld.
Rents.
Tax Withheld.
Tax Not Withheld.
Profits: Sales of Securities and Property.
Sundry Items.

ALLOWABLE DEDUCTION REGISTER

Date.
Particulars.
Total Deduction.
Deduction Distribution.
Business Expenses.
Interest on Personal Indebtedness.
Taxes Paid.
Losses Without Compensation "In Trade."
Worthless Debts Charged Off.
Losses Incurred "Not in Trade."
Depreciation and Depletion.
Miscellaneous.

SECURITIES REGISTER

Date Purchased.
Stocks or Bonds.
Rate.
Description.
Cost.
Income Due.
Total Income.
Income Due Each Month.
January.
February.
March.
April.
May.
June.
July.
August.
September.
October.
November.
December.

ONE hundred earnest women concluded their training at Pace Institute for War Emergency Clerical Service near the end of June. Enthusiasm marked the close of the sessions. Miss Anna Mathewson read a poem, of which she was the author, on the subject of Accounts and the Course in general, taking friendly vengeance on the instructor, John T. Kennedy. Mrs. Charles D. Ward read a letter to Pace & Pace, signed by all the members of the class, expressing their appreciation of the patriotism of the firm in giving the course. The poem follows:

TAKING A LIBERTY

This consensus of opinion from the Tuesday Class I get;
From the Course we've gained a *Profit* that's colossal—*Gross* and *Net*.
We acknowledge we're the *Debtor*, and we feel, with grateful thrills,
That our mental health is better—this is not the *Pace* that kills.
We emerge from this *Emergency* all ready for the race,
Since we're each a lively *Pacer*—there's no "*Requiescat in Pace!*"
When our *Muster-Roll* is written, *Ranks* and *Ratings* will be high
(Maybe not just right at present, but within the bye-and-bye).
Of *Endorsements*, neatly pasted, yards and yards will be our own,
Urging that we be promoted to some Governmental throne;
We'll deserve it, being workmen worth our hire, so to say,
But we'll take no "tainted money"—does that term include *Base Pay*?
Whether suffragettes or antis, man before us soon must quail,
Since we've learned the proper method—how to *Route* or *Rout* the *Mail*!
Hear us talk in terms commercial ('tis no *Drawback*, seems to me),
Of *Demurrage*, *Bill of Lading*, *Invoice*, *Voucher*, *Consignee*,
Ad Valorem, *Corporation*, *Hundredweight*, *Rupee* and *Franc*;
While our *Checks* no more upset our shaky *Balance* at the *Bank*.
Debit (with a big, big "D," please!); *Credit*, too, we gently cursed;
But a day of reckoning showed us that *Bank Discount* was the worst.
The whole *Discount* bunch was brutal—Oh, that bad *Cash Discount* trap,
When we toiled on, unsuspecting, till its iron jaws went snap!
Still, on all so kindly taught us there's no *Discount*—*Cash*, *Bank*, *Trade*.
How to thank our keen instructor? Words can't do it, I'm afraid.
For his courtesy, unfailing; for his sense of humor, too;
For his hands that illustrated, clearly, every point in view;
For his depth and height of vision; for his boundless legal lore;
For the merry tales he told us—thanks for all of these and more.
But *one* topic that he mentioned, he's not qualified to teach:
Told us how to choose a partner—folks should practice what they preach.
I just offer that suggestion, never claiming that it's mine,
And I merely ask a question, "'Get the idea? Yes? That's fine!'"
No more liberties I'm taking: come to think of it, 'tis time
For *you* now to take a small one, and for *me* to end this rhyme.
Here's a problem for your solving, since of such things you are fond:
To exchange this piece of paper for a patriotic Bond.
May it prove a bond between you and each matron and each lass
That, unbroken, shall remind you of the grateful Tuesday Class.

New York, N. Y.

June Twenty-ninth, Nineteen-Seventeen.

—ANNA MATHEWSON.

FOR fifteen years I have worked as an accountant for private corporations, mostly railroads. In the latter part of 1916, I started in the practice of Public Accounting. Could you advise me of the proper methods I might adopt to secure business? In the few discussions I have read on this subject, I do not find much material as to the best means of procuring practice, and at the same time maintaining professional standards.

A As an Accountant you will offer a personal service, and it is quite a well-settled principle that one cannot with good taste cry up his own abilities. A professional man is necessarily more or less closely associated with his fellow-practitioners, and he cannot very well extol his own abilities without impliedly decrying the abilities of his fellows. Aside from this, his success depends upon his ability to establish himself in the confidence of prospective clients, and this confidence has its surest and most legitimate development when the friends and associates of the accountant speak well of him.

Undoubtedly, because of these reasons, we, as accountants, are developing a code of ethics which limits our methods of procedure in bringing ourselves to the favorable attention of prospective clients. We may send out notices of the establishment of a firm, or changes in its personnel, or in respect to location of offices from time to time, as changes occur; we may write books, make addresses, and in other ways bring ourselves to the favorable attention of business men and others; we may circulate copies of addresses among friends and business acquaintances, and our circle of friends may, of course, be increased by ordinary social contacts—all of these expedients, however, should preferably stop short of direct solicitation of practice.

Some accountants do not agree with this position. They state that Accountancy is new, and that the advantages to be derived from the installation of proper accounting methods can be brought home to business men only by more or less active presentation of the facts. There is undoubtedly some merit in this contention, but the more conservative view is that these advantages should be made known by addresses, books, and pamphlets, which are not put out as direct advertising documents.

The ethical procedures in the profession of Accountancy are only now in the process of development. The American Institute of Accountants, recently organized, has formulated certain rules which its members are required to follow.

plus with a gain in book values. Is this gain considered Income for the purposes of the income tax law?

A gain in asset values, as stated **A** on the books by reason of reappraisal or adjustments, is not taxable income until the assets have been sold and such gain has been realized in the form of cash or its equivalent. On this point, Treasury Decisions 2005 and 2185 state:

"Likewise and conversely any appreciation in the value of assets due to appraisal or adjustment and taken up on the books of the individual or corporation is held not to be income within the meaning of the law until such appreciation, as a result of a completed, a closed, transaction has been converted into cash or its equivalent; that is, has been realized as an addition to, and a part of, the tangible assets of the individual or corporation. A book entry reflecting only an enhanced value of assets during the year evidences an increase in the net worth of the corporation or individual for that year, an increase which, under adverse conditions, may disappear the next year. An increase in value thus evidenced is intangible, unstable, and is not such income as the Federal Income Tax Law contemplates shall be returned for purposes of the tax."

An earlier court decision on the same point is that of *McCoach, collector, v. Baldwin Locomotive Works*, 221, Fed. 59, wherein it was held that gains in book values, consequent upon reappraisal of capital assets, do not constitute income for purposes of taxation.

Q Does the amount which a stockholder has invested in a corporate undertaking mean the market value or par value of the stock which he buys? Having already invested, is he responsible for an amount equal to the par value of the stock which he holds in addition to what the stock may have cost him when he bought it? What would be his responsibility if the stock had no par value?

A According to New York statutes, and the statutes of most states, stock cannot be issued except for par value or more. Liability of the stockholder extends to this par value. Market value has nothing to do with this liability. In the case of no-par-value stock, there must be received value equivalent to the amount for which it is issued. In other words, no-par-value stock is issued at a value, which value is specified at the time of issue in the contract. Actual value must be received for this.

Therefore, what is at stake is the amount which the person purchasing the first issue of stock paid into the corporation, either in the form of property, services, or money. If the stock were issued

Q A concern reappraises its assets, crediting Sur-

Question and Answer Department by the corporation, irregularly, at less than par, then that person would be responsible for the difference between what he paid for it and the par value, or, in case of no-par-value stock, the value at which it was issued.

(Continued)

Courts are in conflict as to the responsibility of subsequent holders, purchasing in good faith without notice, for the amount less than par on the stock improperly issued. The weight of opinion, however, exonerates the subsequent holder from responsibility.

Q An employee in a manufacturing plant becomes ill. The concern for whom he is working continues his salary during the period of his illness. How should the amount of the salary be treated on the books in connection with the cost system?

A The amount of salary paid to the employee during the time that he is absent from work on account of sickness becomes part of the overhead cost of doing business. A very common method of recording such items is to open a separate account classification which will be charged with the amount of wages not chargeable to a specific job. The total charge to such an account should be included in the overhead expenses and distributed in the same method as other overhead charges are distributed.

There may be other methods of recording such charges, but the one outlined above is very generally used.

Q Wherein do expense items marked on the Balance Sheet as "Paid in Advance" differ from "Accrued" items?

A The word "accrued" is usually applied to those items of expense which accumulate from day to day, and for which settlement has not yet been made. Whenever the word "accrued" is used as an adjective to modify a name that is ordinarily applied to a nominal account, it indicates a real element. If a debit, it indicates an asset; if a credit, it indicates a liability. On the other hand, the term "Paid in Advance" usually indicates nominal items that have been paid, but the benefit of which has not yet been received. They may be either assets or liabilities. Unexpired Insurance, on the books of the insured, is an illustration of a prepaid account, as it represents insurance premiums that have been paid but the protection covered by the premiums has not yet been entirely received.

Q Please advise as to the proper method of analyzing such accounts as "Prepaid Insurance," "Accrued Interest," etc.

A From your question, we presume you refer to

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the analyses that are made, not as a regular part of the accounting record, but as an adjunct to the preparation of financial statements at the

close of a financial period. A very satisfactory method of analyzing "prepaid insurance" is to list all open policies, one below the other, upon an analysis sheet; that is, a sheet ruled with many columns. Give a line to each policy, and in proper columns indicate the number, the name of the company, the amount, the date of the policy, the date of its expiration, and the amount of premium. From the latter facts, the amount of premium applying to the unexpired time can be obtained and set in a column headed "Insurance Unexpired," with the date; that is, the date of the Balance Sheet which this schedule will support. The total of this column gives you the amount of "unexpired insurance" to set up as an asset upon the Balance Sheet.

The above method will apply to any of the other items concerning which you asked information. For instance, "accrued interest" analysis sheet would contain a listing of all notes or any other interest-bearing securities upon which the interest is calculated, giving all necessary information for identification and the dates of the period covered by the accrual.

Such supporting schedules as the above do not usually form a regular part of the permanent accounting records, yet they are in a sense an inventory of the accrued items, or the prepaid items which are set up in the financial record. They are, therefore, of importance, and it is desirable that some scheme of filing them be adopted so they may be retained for future reference. A very satisfactory method of doing this is to use uniform sheets for such analysis, say 14 x 17 inches, or any other stock size suitable for the purpose, and provide a binder for filing them. The sheets in this binder may be separated by means of tabs, so that information therein may be readily accessible for reference. Either one of two methods of filing may be adopted. All supporting schedules for a particular Balance Sheet may be filed together, the tabs showing the date of this Balance Sheet. Or analyses of the same class may be filed together for successive periods; that is, one tab may be headed "Unexpired Insurance," and under that tab may be filed all analyses of unexpired insurance for various periods.

FREDERICK H. HURDMAN and William D. Cranstoun have formed a partnership for the practice of Accountancy, to be conducted at 55 Liberty Street, New York, under the firm name of Hurdman & Cranstoun.



If you wish to observe the change between youth and manhood, walk through the dormitories of a modern Young Men's Christian Association. On the walls of the rooms of the men between twenty and twenty-five you will find glaring pictures—poster effects. In the rooms of men slightly older, say between twenty-five and thirty, you will find the more sober and more artistic pictures. These symbolize transitions in the most interesting period of a young man's life.

Viscount Bryce expressed the thought that the young man soon reaches an age when he must forego the shallow pleasures of youth, if he would partake of the deeper joys of manhood. And among these joys of manhood should be the joy of work—the joy of using the abilities bestowed upon a man by his Creator. There is something wrong with the manner of living of the man who is always wishing he were young again.

The law of compensation must work. With the added burdens and added responsibilities of manhood, there comes the recompense of a bigger and fuller joy in life.

Impulse and Judgment “WITH most men impulse and judgment are in conflict,” wrote a sagacious observer of men and their conduct. Apparently this pronouncement is true. We are constantly doing many things that we know we should not do, and leaving undone many things that we know we should do. Except in the case of the utterly benighted and subnormal types of persons (which, happily, are greatly in the minority), most transgressions of the moral law and the social code can be traced to a conflict between impulse and judgment, with impulse winning the tilt. Speaking broadly, the more highly educated we are the more prone we are to enthrone judgment and subordinate impulse, although any educational process that would completely snuff out impulse lowers its guard and invites attack. The problem for the enlightened individual and the enlightened nation to work out, is clearly how to curb and direct impulse and how to liberalize and rationalize judgment in such a manner that the

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two may work together, rather than at loggerheads, for the higher good of humanity.

THE successful farmer knows that, in order to gather an abundant crop, he must spend most of his time and energy in planting and hoeing. The ground must be got ready—ploughed, harrowed, and fertilized. The seed must be sown in proper amount and at proper depth. Weeds must be killed, and the soil must be regularly stirred up in order to conserve moisture and to give the tender plants a chance to mature. If these things are done, the farmer knows that he does not need to worry about his harvest.

The same principle applies to harvest-gathering in Business—the making of profits and the advancement to positions of higher responsibility and increase in earning power. The young man of wisdom focuses his initiative, his time, his brain-power upon preparing for the harvest-time. He takes stock of his strong points and his weak points. He learns whatever and wherever he can. He gives up time-killing pleasures, and spends his spare hours in self-development. He increases his knowledge and usefulness. Then comes the harvest time of dollars and cents, of satisfaction with things well done. Plough, sow, and cultivate now, young man—never mind, about gathering the crop; that will come later.

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Interpreting
the Purpose, Spirit, and Needs
of Modern Business

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OFTEN have our minds been regaled by the story of the solemn, wise Bostonian following in the footsteps of the erring calf. No matter how much dignity Boston may muster, this incident and all that it implies will not be forgotten.

Experience is a great teacher, the world a truant pupil. Boston ignored the oldest of all teachers. Cities had been built for centuries prior to the advent of Boston. Long before Boston boasted of its prowess as a dispensary of learning, the world knew that the shortest distance between two points is a straight line. Yet the streets of Boston and of other cities are unnecessarily crooked, creating confusion, waste, and loss that is inestimable.

Perhaps young Boston felt like being contrary to the teacher—just like you and me when we were young. On this point I am still contrary.

Preparation

Habit

My teacher claimed that the incident showed the force of habit. Quite the reverse; it showed lack of habit. It was not an instance of abuse, but of non-use. Much learning is fruitless, unless habitually applied. Efficiency consists in the habitual use of learning.

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Finance **O**PTIMISM as to the banking business during the period of the war is expressed in the June, 1917, *Bulletin* of the National City Bank, of New York. This optimism is based on the experience of other countries, which indicates that savings deposits will not be greatly disturbed. Typical of this experience is that of Canada. In that country, savings deposits increased from \$722,000,000 on December 31, 1915, to \$982,000,000, on March 31, 1917. It is believed that heavy subscriptions to the Government loan will, in the long run, greatly increase bank deposits, for the reason that this is an inevitable result of a general increase in loans. Furthermore, the proceeds of the loans will be disbursed by the Government practically as fast as received, thereby distributing the funds to all localities.

Criticism **O**NE of the weeds that flourish in the garden of democracy is the disposition to criticize and cavil at things we know nothing about. Jumping at conclusions, we sometimes call this trait of ours. It is different from that, for when we jump at conclusions we may have a glimmering notion of what we are criticizing or objecting to.

We criticize our schools when, as individuals, we have never taken the trouble to find out the splendid work they are doing. We criticize our neighbors when we know little or nothing of them or their manner of thinking and doing. We rail at the Government and sit in soap-box judgment upon Federal promulgations and policies when we have no knowledge of the facts and data responsible for the things we think we do not like. We sneer at our superior officers in the business organization that gives us our bread and butter and profess to wonder how they have got where they are, when all we know of the concern is wrapped up in our narrow daily routine.

This kind of criticism, fault-finding, snap-judgment—call it what you please—seldom injures its object, though to have it buzzing around is irritating; but it always injures the one that expresses it, for it undermines judgment, distorts perspective, and puts a premium on loose thinking. Let us have done with it. Blessings upon the man that resolutely keeps his mouth shut till he knows what he is talking about!

Construction **L**ET us build something, you and I, together perhaps, or each working by himself and for himself because he builds for others first.

Let us think of the work we do, not as jobs or as positions, but as something to be planned and constructed and completed. Let us build with the needs and conditions of our associates and our own enterprise, as a whole, in mind. Then let us take thought of the effect of our building upon society, the public, other people. There is real satisfaction in building something that will last, because it is good and sound. It is the builders that are vocationally happy; for out of the building view-point and the building-approach to a problem or a task come not only the joy of having created something, but, what is far more important, the joy that inheres in the capacity to create. And it is the capacity to create that spells development, advancement, success. Let us build something, you and I.

Little Things **M**ANY people—young folks especially—in the wisdom of ignorance profess to think that the difference between an indifferent success and a conspicuous success is a matter of miles in respect to native ability and opportunity, as well as in results. In the case of the majority of men who have made conspicuous successes, this is the wrong standard of measurement. Very often the difference between success and mediocrity, in the professions and in Business, is a matter of extra yards, extra feet, yes, extra inches, given freely as a steady practice. An extra yard, an extra foot, an extra inch, even, of industry, of determination, of judgment, of vision, of personal co-operation—have often unlatched the door of opportunity, and sooner or later pushed it wide ajar. Big things—big achievements, big incomes—represent the welded total of many little things. If you are looking for success, then, give extra services in time, brains, and effort to the work you are doing. Do not scorn the yardstick, or the foot-rule, standard of measurement. The mile-standard will show itself in results achieved.

Mines **D**ID you ever take time to think that people are like mines? Just as there are a few productive mines, and many worthless mines—those that contain no "pay dirt" of any kind—just so there are a few people whose intellectual lodes it pays to explore, and many people who yield nothing worth appropriating to your mental pick and drill. It pays to "prospect" a while before you sink your capital in a mine that may turn out only a cheap quartz and gravel for your pains. And it surely pays to "prospect" among your fellows before you invest in them your reserves of time, interest, and intimacy.

Printing Costs by **H. E. Downing**

H. E. DOWNING, auditor of the Los Angeles *Times* and subsidiary corporations, engaged in the printing, publishing, and binding business, and a Pace student, recently delivered a paper before the Semester D class of the Accountancy School at the Y. M. C. A., of Los Angeles, California, on the principles of cost keeping for a printing and salesbook business. The system described was that agreed upon by the Printers' Cost Committee of the United Typothetae and Franklin Clubs of America. Through the kindness of O. T. Johnston, Esq., C.P.A., financial secretary of the Los Angeles Y. M. C. A., the following copy of the address is made available for our readers:

"The principles of cost keeping that we are now studying apply in their entirety to the printing and the salesbook business. The principles could not well vary—they are fundamental—but in the printing and salesbook business there are certain peculiar accounting conditions that require especial handling.

"Proper and informing cost keeping is absolutely necessary for the efficient and economical control of any commercial activity, and in an enterprise of the nature of the above, where the competition is so severe, the cost of materials so high, the service so exacting, and the public so critical—in order to be on the right side of the Ledger at the end of the fiscal period, it is pre-eminently necessary that the cost of production be known.

"Before installing a cost system, it should be determined what are to be the functions of the system and what results are sought.

"There are three elements necessary in any cost system: continuing, undeviating persistency, the passage of time, and the helpful and energetic support of the management. Without these three, there can be no successful operation. The management should then properly look to it to supply the accurate costs of articles manufactured, to determine all waste of materials, the effectiveness of labor bought, the measure of expenses and their relation to direct cost and sales; and it should compare unit or department operations with some predetermined standard, for without a comparison progress cannot be measured.

"Momentarily, let us consider the elements entering into scientific cost keeping, that we may more clearly perceive the objects at which we aim.

"We have learned in our cost studies that the component elements are: direct material charges, direct labor charges, and indirect material, labor, and other expense charges. It will be clear that the cost of the article must be a proportionate sum of all three elements.

"Material from our cost viewpoint contemplates only that entering into and becoming a physical part of the finished article. There can be no extended profitable argument how to obtain the material costs, for registering them accurately must be done by reports of weights or other measures of quantity; the greatest difficulty being to overcome the human frailty of carelessness in handling and reporting, no small amount of profits being lost by wastage. Waste of material is itself the one greatest cause of high costs to-day, and all manufacturers would do well to look toward an increase in profits by reducing that expense, rather than reaching out for more markets and thus taxing more severely our already overstrained distribution systems.

"Labor is the second cost element, and the one that probably causes the executive the most trouble and anxiety; the human element and personal equation entering heavily into the cost consideration at this point, and being of the three elements the least subject to managerial control. For cost purposes, labor is divided into two classes: the direct, or that chargeable directly against the work; and indirect, which becomes a portion of the overhead or burden. Labor costs are ordinarily not hard to obtain, the pay-rolls or time-tickets supplying the requisite information for the class division and apportionment.

"The third cost element—expense—is an elusive and exasperating one. Here the certain ground of direct costs is left, and the accountant goes 'aviating.' There is no positive and unimpeachable way to apportion it to the various articles or operations of manufacture, and the particular enterprise under review must be studied and an apportionment made on the fairest and most equitable basis.

"The system or plan in use in our printing and binding and salesbook plants is that agreed upon by the Printers' Cost Commission of the United Typothetae and Franklin Clubs of America, and in common with all worth-while systems, it is articulated with the general books. Generally, in cost keeping, the tendency is to use a great number of forms, each additional requirement of the management calling for an addition to those already in use, until at last the system is burdened, if it does not actually fall, by the weight of the clerical work. This tendency should be persistently fought until they are 'boiled down' to the lowest possible number.

"Our purchasing is done by a general purchasing agent, who buys on requisitions from the managers of our various enterprises. The requi-

sition on the purchasing agent is made in triplicate, and follows the usual course of any purchase requisition.

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"Raw materials are all delivered to the stores department, and a perpetual inventory is maintained. No materials are issued without a proper requisition, and at intervals a section of the stock-room is physically checked against the book record.

Pay-Roll "A very large and important account is the pay-roll, the handling of which is a very important matter. Each plant operative is supplied by the foreman with a time-card for each job upon which work is to be done. On this card are printed the various operations within the department. As the operative starts work, the card is inserted in the time-clock and the starting time registered; when the work is finished, or activities are transferred from one operation to another, the time is registered out. These cards are assembled at the end of the day and sent to the accounting department, and upon individual time-sheets the time of each employee, showing exactly the time spent in each class of operation, is recorded and the operative paid accordingly. It will be seen that with a competent foreman no reason or excuse exists for prolonging an operation, and that nothing is left for the employee to guess at or forget, and the actual time occupied on the operation is obtained.

"This card, from which the record has been made, is placed in the cost jacket on file in the office, in which has already been placed the duplicate of the material requisition. When the job is completed and shipped, the job-ticket, which has followed the work throughout all operations and departments, is sent to the accounting department, whereupon the cost jacket is extracted from the files and the job is then ready for the cost clerk.

"Material, quantities, and costs are obtained from the requisition, which shows the kind of material and quantity used, and the invoices show the cost. The hours of direct labor spent upon the job are obtained from the time-tickets. This cost system contemplates the operative's time being divided into two classes—chargeable and non-chargeable. The chargeable time is the direct labor, and is chargeable directly against the job. The non-chargeable time of course the operative is paid for, and is a portion of the department overhead or burden.

"All department expenses are reduced to a chargeable hour basis, that being the unit of cost used.

"Digressing a moment, I will say that it is customary for the members of the Typothetae to

keep accurate records of their costs for the period of a year and to forward the result to the secretary of the organization, and under his direction they are compiled into a composite 9-H form, the expenses being reduced to a chargeable hour basis. This creates a fair standard by which the individual may measure the efficiency of his own plant, after taking into consideration the local conditions.

"Our cost clerk does not, however, use these standard costs to compute the cost of the job to the concern, but uses *our* standard—an average of the costs of the twelve preceding months. Thus, the hours worked in each department having been obtained from the cards, he proceeds to multiply them by our standard-hour rate, and the result is the accepted labor and overhead cost. (Why this chargeable hour rate contains the overhead I will presently explain.) Adding the labor and material costs gives us the job cost.

"The cost information recorded on the cost jackets is registered on a Job Cost Register, showing the value of the material used, and the number of hours worked in each department. This Job Cost Register shows, in addition, the selling-price of each job, and the total of the column containing the selling-price must agree with the sales as evidenced by the duplicate sales tickets.

"Now let us consider the productive section of the plant. The functions are confined to specific departments, namely: Composition, Job Press, Cylinder Press, Bindery A—Cutter, Bindery B, Bindery C, Bindery D, and Carbonizer—and these departments for the sake of brevity are appropriately identified by accounting mnemonics. In addition to the plant departments are the General Office, Commercial Division, and the Shipping. Bearing these departments in mind, and that we shall be obliged to reduce all expense to a productive department chargeable-hour base, we will now give our attention to the so-called budget and fixed expense accounts that are distributed monthly over the departments affected. Where costs are figured by the job, and on such products as job-printing or salesbooks, it is expedient to have as few fluctuations as possible amongst the department expenses, and where usages and expenses are fairly constant, as in the case of rent, heat, light, power, depreciation, interest on investment, oil, gas, rags, rollers, etc., it is best to establish a budget or standard at the commencement of the fiscal year, and credit it monthly, changing the monthly expense over the departments affected. To do this, and other things, is the province of the '9-H form,' which we will now consider in detail. The 'rent, heat,

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and light' are distributed upon the basis of floor-space, and the 'power' upon the basis of department horsepower hours of actual motor-running time. 'Depreciation' is figured upon the cost value of the equipment within the department, as is 'interest upon department investment.' After working 'interest upon department investment' into costs, it is returned to income.

"We are now ready to add this form, both perpendicularly and horizontally. As it is a Journal Voucher, necessarily it must balance, and assuming the proof has been established, we have in each of the debit columns the department direct labor and expense, and the department overhead.

"Each department has its separate Ledger sheet in our Controlling Ledger and the debit postings are divided into five separate columns, the plan being to give one line of the Ledger to each month. By confining postings of the same class to a separate column, a valuable monthly comparison may be made and extraordinary fluctuations located without trouble.

"At this time we shall commence to incorporate the information on the form in the general books, and the first entry we will pass is:

Entries Sundry Departments xx
 To Pay-roll Accrued..... xx
 For monthly pay-roll expenses.

"This posted, we will proceed to the next step of charging the departments with the department overhead and fixed expenses. This is done by making an aggregate footing of each department's fixed expense and Journalizing:

 Sundry Departments xx
 To Sundry Fixed and
 Budget Expense xx
 For departmental distribution.

"With this entry posted, we have arrived at a point where we must distribute the non-productive department expenses over the productive departments, which we will proceed to do on the basis of total productive department costs, thus:

"Shipping and Commercial Expense divided by Factory Expense equals — per cent. General Office.

"This percentage established, it is a simple matter to multiply each productive department's expense by the general overhead per cent. to determine each productive department's proportion of general overhead. With these figures computed and established in the horizontal col-

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umn, we must then incorporate them in the books, consequently the following entry:

Sundry Productive Departments xx
 To Office — Commercial
 Expense and Shipping
 Expense xx
 For distribution of general
 overhead.

"We now turn to our Department Consolidated Time Report for information regarding factory operations. We obtain from it the number of chargeable hours worked in each department. These hours are listed on the 9-H form in the horizontal column. By dividing the total department cost by the number of chargeable hours, cost per department chargeable hour is obtained.

"The cost of direct materials used is next obtained from the Job Cost Register, and a Journal is now to be passed, charging:

Materials Used to Sundries xx
 To Paper xx
 Ink xx
 Sundry Stock xx
 For monthly usage on finished jobs.

"Upon posting this Journal we have now in our general books all the information contained on the 9-H form; the budget or fixed expense accounts have had their monthly apportionment established, and we have worked into the productive departments all of the monthly expenses; consequently, in taking the next step and considering the 'Work in Process,' and 'Finished Work,' we will have only those departments and 'Materials Used' to consider. It will be apparent that it cannot be otherwise than that all of the activities of the productive departments, and the materials used, have been concerned with 'Work in Process,' so it is proper to pass the entry:

Work in Process to Sundries xx
 To Sundry Productive
 Departments xx
 To Materials Used xx
 For all expense on account
 of work in process.

"The effect of this entry is to gather into one account all the expenses properly chargeable against

work in process and to close out the producing departments and material expenses.

"The next progressive step is to consider the cost of the finished work, and to obtain this we again have recourse to the Job Cost Register. Here we find in total the productive hours, in each department, worked on jobs finished and billed.

"Logically, our next entry is to charge the 'Finished Work' and credit 'Work in Process' with the cost of the finished work for the month, and we are therefore concerned with the determination of that cost. Of the materials we know positively, but when we deal with so elusive an object as an hour of the day it is not quite so easy, although determinable.

"In arriving at the labor cost of the finished work, we have so far been dealing only in chargeable hours. For determining *monthly* results, we have not placed any value upon the productive effort. At the first of the month, we had a certain number of chargeable hours unbilled in each productive department; and we have, according to our pay-roll sheets and department time-reports, bought and paid for an additional quantity. From the sum of these two we subtract the hours billed, as indicated on the register of job costs, which gives us the amount on hand to carry forward to the next month. There has now been gathered all necessary data to determine finished job cost. Experience has shown us that ninety-six per cent. of our work does not linger in the factory and break over from one month to another, consequently the hours brought forward from the preceding month are charged to 'Finished Work' at that month's department rate, and the remainder of the hours billed is charged into 'Finished Work' at the current month's rate. This computation is carried through each productive department upon a Finished Job Register and the results totaled. This total, with the cost of materials used, is charged to 'Finished Work' and credited to 'Work in Process' for the cost of finished jobs billed in the current month.

"This entry leaves the account, 'Work in Process,' an inventory account of the labor cost alone, the materials used in 'Work in Process' remaining in 'Stock' until the job is billed; and it also leaves but three accounts now affecting the current month's sales operations, namely: 'Finished Work,' 'Returns and Allowances,' and the income account 'Sales.' It will be apparent that we

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Costs**

now have in the 'Finished Work' account all the cost of the sales; consequently, the 'Finished Work' and 'Returns and Allowances' are closed into the 'Sales' and the result is the net profit from sales for the month.

"Our cost report has now been incorporated into the books, and its informing figures have been carried through all operations; we have closed out all department accounts, materials used, and general overhead expenses into 'Work in Process,' have taken from 'Work in Process' all finished work, have closed 'Finished Work' into 'Sales,' and have shown the net sales profit or loss for the month—thus complying with the requirements of a truly informing cost system, about which I spoke at the commencement, and establishing a valuable addition upon which a new standard may be built that will reflect operating conditions of a later date and therefore of a more properly applicable nature."

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conduct of a certain part of the business, but certainly not available for meeting the liabilities shown on the books."

Balances in the personal accounts of partners or officers, as well as loans made to affiliated companies, should not be combined with Accounts Receivable of trade customers. Both of these should be set out as separate items.

After stating some peculiarities of inventory, the article remarks on the practice of some concerns of including "containers" as a part of merchandise inventory, when the containers are not to be sold to the customers. In these instances there would be a charge to the customer, and a credit to a special account. The credit in the special account would be deducted in the Balance Sheet from the Accounts Receivable. At this point, nothing would appear in the Balance Sheet as to the value owned by the concern in these containers. Hence, an asset must appear, and this is usually accomplished by adding the value of the containers to an inventory of the same class, shown under fixed assets as part of the equipment for doing business, and not under current assets.

Concerns frequently incur heavy liability upon contracts. "Contracts for future purchase of materials may be of such volume as to make any prospective lender pause and consider—and they may have been made under such conditions that at the Balance Sheet date a loss is already in sight." Notation should be made of these as contingent liabilities.

The article is an intensely practical one, and is well-worth reading.

COST-ACCOUNTING systems for road construction and maintenance are receiving more and more attention from state highway departments and from engineers and contractors.

B. L. Vipond, a former Pace student in the Washington School, who is in the Office of Public Roads and Rural Engineering, U. S. Department of Agriculture, suggests several books on this interesting subject. One of these is the work of John H. Lewis, of the State Highways Department, of Oregon, in which a system is presented. Some criticism has been leveled against this system as being too complicated. Nevertheless, Mr. Vipond suggests that if the men engaged in

the work are properly instructed in the use of the forms, there is no serious objection to the system proper.

Another work suggested is the "Hand Book of Cost Data," by Halbert P. Gillett. This book contains cost-accounting suggestions, but does not contain any special system of gathering costs. It covers road work, excavations, sewers, and other engineering construction.

A Bulletin has been prepared by the Office of Public Roads and Rural Engineering, Department of Agriculture, on the subject of Road Cost Accounting. This is in process of printing, but owing to the crowded condition of Government printing work is not likely to be published before fall.

ANOTHER example of the interest taken in education by modern corporations is found in the recent action by several of the rubber factories in Akron, Ohio, including the Firestone Tire & Rubber Company and the Goodyear Tire & Rubber Company. These companies have established thirty scholarships in the Engineering College of the Municipal University, of Akron, Ohio.

Those receiving the scholarships take the course at the University and work in a factory in alternating two-week periods during the school year. For the work they do in the factory, they receive \$37.50 for each two-week period. The scholarships cover all of their expenses at the University.

Candidates are selected from graduating classes of high schools, preference being given to the graduates of the Akron High School.

ONE of the many big corporations actively promoting the public weal in these trying times is the International Harvester Company. The entire field-force of this organization has received instructions to aid farmers in enlarging the acreage planted and increasing the yield. Salesmen are directed not to advise purchase of new machines to replace machines which can be properly repaired, and instructions have been given that repair parts are to be furnished as quickly as possible to those needing them.

Further recognition of the need of preventing a crop shortage is evidenced in the publication, by this company, of a pamphlet on the subject of teaching agriculture. This pamphlet is sent free to all teachers who are interested.

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Current Assets

"MIS-STATED CURRENT ASSETS" is the title of an interesting article in the June number of the *Journal of Accountancy*, by A. S. Fedde, C.P.A. In the very beginning of the article, it is pointed out that the well-understood condition that values appearing on a Balance Sheet are, to a considerable extent, the result of estimates and opinion is not confined to fixed assets. Amounts given for current assets are sometimes expressive of opinion, and at other times, grossly misstated. The author affirms that misstatement is frequently quite innocent, but that an innocently incorrect statement may be quite as damaging as one deliberately misstated.

Misstatements may appear even in the item Cash. Checks drawn and mailed prior to the date of a statement resulting in an overdraft of the bank balance are, in some instances, written back to the extent of the uncleared checks. They are stated as Cash on one side and Accounts Payable on the other. This is clearly wrong, since to the extent that checks have been drawn upon a bank balance the cash available has been reduced.

Bar gold used in manufacturing should not be included as cash, but should be placed in Inventory. Items advanced to salesmen, branch selling-offices, traveling repairmen, etc., should not be included in cash. The writer prefers to include them as working assets, classified with unexpired insurance, prepaid interest, and other deferred charges to operating. "They are available for the



THE value, both in the short run and in the long run, of courtesy in all kinds of business letters can scarcely be overestimated. Courtesy is a builder of

good-will, and good-will is the basis of business stability and expansion. There are many times when one is tempted to write in an overbearing, a curt, a sarcastic, or an angry vein; and from the personal point of view, considering the nature of the provocation, one might be justified in so doing. The personal point of view, however, is not the point of view to take; one should always subordinate himself to the good of his business and take the business point of view, no matter how strongly tempted he may be "to show that firm a thing or two." This is hard to do, of course, human nature being what it is; but it pays.

Often letters that are crisp and pointed are justifiable, and even necessary, but even such letters do not need to be discourteous or offensive in content or in tone. Every letter, no matter what its purpose, should leave upon the mind of the person or firm that receives it the impression of justice, fairness, and courtesy on the part of the sender. Nowadays, far-sighted firms make short shrift of the correspondent who does not grasp the relation between courtesy in letters and business growth.

Overdoing courtesy is possible. Courtesy does not mean obsequiousness; it does not mean servility; it does not mean insincerity; it does not mean sacrifice of self-respect. There is no more sense in filling a letter with an excess of *please's*, *thank you's*, *kindly's*, and other words and phrases of that ilk, than there is in carrying on a conversation in a truckling manner. It is not good form; it is not good business. Courtesy has no quarrel with self-respect; rather, it is a high expression of self-respect.

The following examples illustrate the point of this article:

(Poorly Written Letter)

We have had so many complaints about the service, or rather lack of service, on your part as a distributor of our cars that we are out of patience with you. When we let you act as our representative, we thought we had made it clear to you that satisfied purchasers were what we prided ourselves on. It seems that you did not grasp this matter.

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Our Mr. Miller is going to call on you next week to try to pull you out of the bog you have got into and show you what you are expected to do if you wish to continue your business connection with us.

(Same Letter Rewritten)

We are sorry to say that recently we have had many complaints of lack of proper service from persons who have purchased cars through your distributing agency. We do not presume, of course, as yet to pass upon the justice of these complaints. Ordinary justice and courtesy require that you have a hearing, and we purpose to give you that hearing.

Our Mr. Miller, who has had much experience in bringing about close cooperation between our distributors and our manufacturing plant, is going to call on you some day next week. We have no doubt that you and he will be able to work out a plan that will be satisfactory to us all. Your interests and ours are closely allied, and we want to help you all we can.

(Poorly Written Letter)

Your account for \$218.25 is already three months' overdue. We have written to you about the matter six times, but you have paid no attention to us. What do you think we are? A philanthropic institution? We have obligations to meet, just as you have, and we can't pay them unless our customers pay us. We shall expect a check by return mail. Send it.

(Same Letter Rewritten)

Your account for \$218.25 is already three months' overdue. We have written to you about the matter six times, but for some reason, we have failed to receive a reply from you. Our own obligations are very pressing at this time, and we must insist that you send us a check by return mail.

(Poorly Written Letter)

If you will kindly call at our new tailoring establishment at the corner of George and Jackson Streets, we shall greatly appreciate your interest in our new spring offerings. We are very sure that if you will be so good as to pay us a call, you will find that our goods, workmanship, and prices will appeal to you as a business man who wishes to get as much as he

can for his money. Please do not fail to come. Kindly ask for me personally. Thanking you in advance.

(Same Letter Rewritten)

We have just opened a new tailoring establishment at the corner of George and Jackson Streets. If you will pay us a call, you will find that our goods, workmanship, and prices will make a strong appeal to you. It will pay you to look over our offerings. May we not see you?

The point is pretty plain. Write courteous letters at all times, but not groveling letters, or letters that unnecessarily irritate the one who receives them. The principle behind this dictum is that courteous letters build good-will even after the fact of their having been written is forgotten by the sender.

STUDENTS of the Pace Professional Accountancy Course of the Rider-Moore & Stewart School of Trenton, New Jersey, celebrated the culmination of Semester B with a delightful banquet, served in the Trenton House, Thursday, June 8, 1917.

Charles A. Pace, who had been invited to attend, was unable to be present. In his stead, John T. Kennedy represented Pace Institute. Mr. Kennedy delivered an address on "Accountancy in Modern Business."

John E. Gill, vice-president of the Rider-Moore & Stewart School, spoke briefly in praise of the course and of the intensive and loyal support of the students. John R. Summerfeldt, secretary of the business school, commended the class for its fraternal spirit.

The guests, besides Mr. Kennedy, were Walter D. Cougel, LL.D., instructor in Law, and Professor H. B. Brofee, instructor in Accountancy. Professors Cougel and Brofee spoke briefly of the pleasure they had in instructing the class during the past term.

The students present were very enthusiastic over the work accomplished during the past year, and are looking forward to even better results and a stronger class organization next year.

William J. Mitchell, class president, acted as toastmaster. The other officers of the class are Chas. J. Miller, secretary, and Jos. Ryan, treasurer. Others in attendance were George L. Wolf, H. S. Bowen, Irving Kahn, H. T. Lancaster, J. Levin, and H. G. Suppers.—By Chas. J. Miller.

THIS fall at Teachers' College, Columbia University, an attempt will be made to reorganize the entire plan of elementary education as at present carried out in the United States. The new institution will be financed by the General Education Board.

The New York *Tribune* in a recent issue says: "The curriculum will include no study of formal grammar, no involved mathematics, no Latin, Greek, nor other dead languages, no ancient history except as it bears on modern problems—nothing, in fact, for which no better reason than tradition can be assigned. As few books as possible will be used; the supporters of the movement believe that if children are to be taught and trained with an eye to the realities of life and existence, the accessible world is the laboratory to be used for that purpose."

This, in fact, seems to be the keynote of the entire movement; to so train the child that he will develop somewhat in accord with his environment, instead of to leave him at the end of his school days utterly at variance with the workaday world around him.

Abraham Flexner, secretary of the General Education Board, says: "The curriculum will include nothing for which an affirmative case cannot now be made out. The modern school will not go through the form of teaching children useless historic facts just because children have learned and forgotten them. Nor will it teach obsolete and uncongenial classics simply because tradition has made this sort of acquaintance a kind of good form. Mathematics will be taught in such form, in such amounts, and at such times as other subjects require. The school will put great stress on modern languages. It is believed that languages have no value in themselves; they exist solely for the purpose of communicating ideas and abbreviating thought and action processes. If studied they are valuable only in so far that they are practically mastered—not otherwise. We shall aim for absolute fluency for our pupils."

The director of the new school will be Professor Otis W. Caldwell, now head of the Department of Natural Sciences in the School of Education of the University of Chicago. The new school will begin work next September, admitting both boys and girls from six years of age and up. Ample funds advanced by the General Education Board insure a thorough trial of the new idea.

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THE importance that attaches to education in commercial subjects received further recognition, recently, on the other side of the Atlantic. We learn through the pages of *The Accountant*, issue of February 17, 1917, that Edinburgh University has decided to institute a degree in Commerce. It appears that at the present time all the subjects necessary for the new degree are included in the curriculum, with the exception of accounting. The suggestion is made that it might be possible for the Chartered Accountants in Edinburgh to provide for the endowment of a Chair in Accounting at the University, and thus secure a voice in the counsels of that body.

CANADA'S experience at the present time in dealing with the vocational problems of returned soldiers furnishes this country much food for thought. The Extension Department of Pace Institute is in receipt of a letter from Mr. John H. Turner, of Quebec, Canada, an Extension student, in which he comments in a very interesting manner on the Canadian situation.

He is especially impressed with the great amount of vocational work which must be done after the war in fitting the returned soldiers for places in the business world. The reason for this, Mr. Turner says, is that the men who went out with the first Canadian Expeditionary Force, were, for the most part, drawn from the ranks of bank clerks and young men just starting their business careers. Now it is necessary to fill their places, as the members of the first contingent were practically all killed in those dark days when Britain and her colonies were doing their best to stem the German tide.

Mr. Turner goes on to say that the men who are now returning from France are mostly farmers and mechanics, totally unfit at present to fill business positions. Their training and the training of that great group that will return after the war has become a momentous problem.

To meet it, The Military Hospitals Commission has formed a Vocational Department that will endeavor to fit the returned soldiers for the business positions waiting to be filled.

The experience of our northern neighbor has an added significance

for us at the present time in view of the fact that we, at some not far distant date, may have to meet and decide the same problem.

Canada's
Vocational
Problem

ODELL R. CUNNEEN, Accountancy Institute of Brooklyn, has been appointed credit investigator for the National Bank of Commerce of New York. Mr. Cunneen was formerly employed on the staff of the Brooklyn Central Young Men's Christian Association.

HENRY E. KEELER, Accountancy Institute of Brooklyn, formerly employed by the Barrett Company, has accepted a position in the accounting department of Nestlé's Food Company.

CLARENCE S. MAC ELVEEN, Accountancy Institute of Brooklyn, formerly employed on the accounting staff of McWhorter, Boyce, Hughes, & Farrell, is now employed as head bookkeeper for American Motors, Inc.

CHESTER A. PHILLIPS, of the Providence Institute of Accountancy and Business Administration, is now secretary of the Weybosset Market, a recently organized corporation in Providence.

GEORGE E. A. STRAIN, who was formerly office manager and accountant for the William H. Jackson Company, has accepted, through the Pace Agency for Placements, Inc., the post of traveling auditor for the American Water Works and Electric Company.

WALTER P. CATHIE, who was formerly engaged as office manager for J. H. & C. K. Eagle, has accepted, through the Pace Agency for Placements, Inc., the post of auditor and accountant for the John F. Murray Advertising Company.

MRS. Z. P. HUGHES, Pace Institute, has accepted a position with the National City Bank.

JOHN L. DUFFY, Pace Institute, formerly employed by the Northern Assurance Company, has accepted a position on the bookkeeping staff of the Northam Warren Corporation.

WILLIAM J. McGRATH, who was formerly office manager and accountant for William Hughes & Company, Inc., has accepted, through the Pace Agency for Placements, Inc., an appointment as accountant for the agricultural division of the Russian Buying Committee.

PROVIDENCE INSTITUTE OF ACCOUNTANCY AND BUSINESS ADMINISTRATION held its third annual dinner on Thursday evening, May 10th, at King Fong's. Fifty-two members of the student and faculty body were present.

Short speeches followed the dinner. Frederic H. Fuller, president of the Providence Y.M.C.A., spoke on "The Association." Other speakers were Homer S. Pace, C.P.A. (N.Y.), who delivered a lecture on "The Work of To-morrow"; Frank A. Swan; L. E. Hawkins, general secretary, and John G. Olmstead, vocational director. There was also other entertainment.

Students and faculty alike pronounced the affair a great success, and made favorable comment upon the excellence of the program arranged by the Dinner Committee. The members of the committee were Arthur L. Giddings, Herbert A. Henrikson, Harold H. Kelly, and Donald M. White.

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ABOUT one hundred students and their instructors in the Pace Institute, Boston, gathered at the Hotel Bellevue upon the occasion of their second annual students' dinner on Wednesday evening, May 9, 1917.

Mr. Luther Hill presided as toastmaster. The speakers of the evening were Homer S. Pace, C.P.A. (N. Y.), who delivered a lecture on "The Work of To-morrow," and Messrs. Oscar M. Miller, William C. Canning, and Amos L. Taylor.

The members of the Committee in charge of the arrangements were R. E. Finnegan, B. C. Kelleher, C. W. White, G. M. Thompson, F. H. Lawrence, and C. A. Howes.

The success and enthusiasm which marked the evening promise to make future dinners an event of great interest to the students and faculty.

MICHAEL G. MULHERN, Pace Institute, who was formerly in the employ of B. Altman & Company, has accepted a position with the American Red Cross.

WILLIAM H. BRIGGS, of the Providence Institute of Accountancy and Business Administration, has recently become traveling auditor for the New York, New Haven, and Hartford Railway.

E. J. BANKS, of the Providence and Boston Schools, has become associated with the accounting firm of Ward, Fisher, Carpenter & Philbrick, of Providence.

DONALD WHITE, of the Providence Institute of Accountancy and Business Administration, has just accepted a position with the Scripps-Booth Automobile Company in New York.

He who seeks equity must do equity.

Fall Courses of Study for Business Advancement

PREPARATION for Business means interpretation of Business as a science, a profession—interpretation of the basic principles, procedures, and devices of Business. Men and women who study Business in this way develop an economic usefulness that makes their services in high demand. Pace Institute prepares the individual student, whether man or woman, to assume and discharge business duties with ease and efficiency.

INVESTIGATE the following evening courses of study which are now available, among others, to ambitious men and women at Pace Institute and affiliated Institutions:

Accountancy (Professional C. P. A. Course)

—a course that gives technical preparation for C.P.A., American Institute, and Civil Service Examinations.

Shorter Accounting Course for Women

—a course that trains women in the basic principles of Accounting, including double-entry bookkeeping.

Bookkeeping Course

—a course that presents all aspects of bookkeeping in accordance with the best accounting practice.

Law for Business

—a course that presents the law as a science in its bearing upon the conditions of modern commerce.

Accounting Application of Tax Laws

—a course that gives a mastery of the various tax laws as applied to the business affairs of individuals and corporations.

English for Business

—a course that presents all aspects of English in a practical form.

Oral Expression

—a course that develops the ability of the individual to address others clearly and forcefully.

DESCRPTIVE bulletins and folders will be sent upon request. Ask especially for "Your Market Value," which contains a vocational message of wide appeal. Address or telephone

PACE & PACE

HUDSON TERMINAL

30 CHURCH STREET

NEW YORK

The PACE STUDENT

Vol. II

New York, September, 1917

No. 10

AN EDUCATIONAL MESSAGE



THE spirit of patriotic preparation is omnipresent throughout our country. It is not only the spirit of military and industrial preparation; it is also the spirit of educational preparation, which is being forcefully proclaimed in city, village, and hamlet by the Federal and State Governments. There is an unfilled need for men and women who can bring trained services to the direction and control of the economic, financial, and commercial conditions engendered by war; and trained services can be made available chiefly through education.

Moreover, out of the darkness and the carnage of war eventually will come peace, born afresh and with new vitality, and the pursuits of peace. Then will arise, as out of the night, big responsibilities, heavy duties, unparalleled opportunities—all in the reconstruction of the enterprises and the institutions of a reawakened civilization. Wisdom and vision urge educational preparation to-day for the needs of to-morrow.

And so The Pace Student, in this September issue, which marks the dawn of a new school year, would speak to you in words of kindly counsel and encouragement. Carry out, so far as military exigencies permit, the educational program which you have had in contemplation for yourself. Enter upon it forthwith, pursuing it more insistently, more whole-heartedly, than if we were not at grips with a foreign foe. This is the counsel of patriotism; this is the counsel of wisdom.

Leisure Hours "NINE hundred spare hours a year are available to every man and woman whose working day consists of from eight to nine hours," says M. B. Horton, writing in "Number Eight," published by the National City Bank. "To what profitable use are we putting those nine hundred leisure hours?"

The average man has eighteen hours of spare time during the week. "In justice to himself, a man should apportion at least one-half of those eighteen hours a week to a course of studying or reading, or to some other equally profitable pursuit. In this way he will have nine hours a week for self-improvement, and if he is truly ambitious to succeed in life, he will not be content to operate on a mere 50-50 basis; but he will devote only about twenty-five per cent. of his leisure time to the pursuit of fleeting, intangible pleasures, and the remaining seventy-five per cent. to what constitutes real and lasting pleasure."

Fishing FISH in your own pond. Your pond is the organization that now employs you. In it are plenty of fish to be caught—plenty of opportunities for advancement, I mean. You have seen some of your associates forge ahead. You know that your concern is growing, that trained men will be needed. Fish in your own pond. Look to your bait, yes—to your ability to make sound decisions, to your capacity for carrying executive loads, to your power to have business visions and transmute them into business realities. But do not cast a calculating eye upon the ponds that lie over yonder hills. The chances are that the fishing there is no better than where you are. Keep on fishing—but in your own pond.

Pace Students in Service PACE students are responding to the call of their country in every department of service. From every state and from practically every county throughout the country comes word of tasks promptly and courageously undertaken.

Afloat, many are serving as officers in the Naval Reserve, while others are performing the more humble duties of yeomen or sailors.

In the Militia, commissions are held by scores of Pace men, while hundreds are performing the duties of privates.

In the Regular Army, the enlistments have been chiefly in the Quartermaster's Reserve, and several Pace men are already with Pershing in France.

The Marine Corps has recruited many students, chiefly for accounting and clerical services.

The various camps of the Officers' Reserve Corps have attracted Pace men literally by the hundreds, and within a year the majority of these

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men no doubt will be serving as officers on the firing line.

The supplementary war activities, including Red Cross, organization of cantonments, the creation of the machinery necessary to the military census, and the like, have required the services of a large number of students and graduates.

Every man thus serving will bring into play a trained mind, developed by purposeful and arduous study. A problem is a problem, no matter whether it is in the class-room, in private business, or in governmental activity. And we know when the problems incident to duty arise, that decisions of the right character will be made by these men with clear-headed promptitude.

THE American Institute of Accountants is rendering a valuable service to the Government in the assignment of accountants to carry out work called for by the Government. The Committee on National Defense of the Institute publishes the following list of its members who are the divisional auditors superintending the accounting at the new cantonments for the Army: David E. Boyce, Yaphank, N. Y., and Wrightstown, N. J.; Robert Douglas, Ayer, Mass.; William P. Hilton, Annapolis Junction, Md., and Petersburg, Va.; J. Porter Joplin, Rockford, Ill., and Battle Creek, Mich.; Page Lawrence, Louisville, Ky., and Chillicothe, Ohio; Albert G. Moss, Little Rock, Ark.; Walter Mucklow, Atlanta, Ga.; Charles Neville, Columbia, S. C.; Herbert M. Temple, Des Moines, Iowa, and Fort Riley, Kansas; Charles E. Wermuth, Fort Sam Houston, Texas; William H. West, Washington, D. C.; William Whitefield, American Lake, Washington.

J. LEE NICHOLSON, C.P.A., New York, has just been appointed chief of the Cost Accounting Division, Department of Commerce, of the Federal Government. The Cost Accounting Division will be one of six divisions of the Bureau of Foreign and Domestic Commerce in this department.

The new division, of which Mr. Nicholson is the head, will assist those departments of the Federal Government which have important contracts to let, and which may not have adequate staffs to investigate promptly the cost of manufacturing the articles they wish to purchase. This is the first task of the new division. In its subsequent development, the division will undertake the establishing of uniform systems of cost accounting in different industries.

Prepare now; opportunities were never greater.

Accountants Aiding Government

Federal Cost Accounting

TWENTY years ago Samuel D. Leidesdorf, C.P.A., was an errand boy in a retail store earning five dollars a week. To-day Mr. Leidesdorf, at the age of thirty-six, is one of the most successful accountants in the country. His permanent staff numbers forty persons, and is increasing all the time. His firm, while conducting a general accounting and auditing practice, are well known as cost accountants and systematizers, especially as applied to manufacturing plants and department stores.

Besides actively managing the Accountancy practice of his firm, Mr. Leidesdorf is a director in several other organizations. He is retained by many important financial and mercantile interests; he is sought by the courts, banking institutions, and large commercial interests as an expert liquidator and reorganizer; and he has also been appointed receiver by the U. S. District Court. The record he has established in connection with these administrations has led to his selection as umpire in many partnership tangles, where the principals have desired to avoid legal proceedings and their accompanying cost and delays.

Mr. Leidesdorf is a member of the American Institute of Accountants and of the New York State Society of Certified Public Accountants; and he takes a deep interest in these organizations.

The story of Mr. Leidesdorf's rise to commercial influence and financial success is an inspiring one. He was born and has always lived in New York. His father having died young Leidesdorf, being an only child, had to fend for his mother and himself at the tender age of thirteen. His first position was that of office boy with a salary of five dollars a week. From there he went to a Sixth Avenue department store as an errand boy, and then to a manufacturing concern, which employed him as assistant shipping clerk, and eventually as shipping clerk.

All this time he was studying at night, one of the subjects that he mastered being bookkeeping. Equipped with this knowledge, he gradually began to climb higher and higher, until he finally became associated with a small manufacturing firm as office manager, and in charge of the credits.

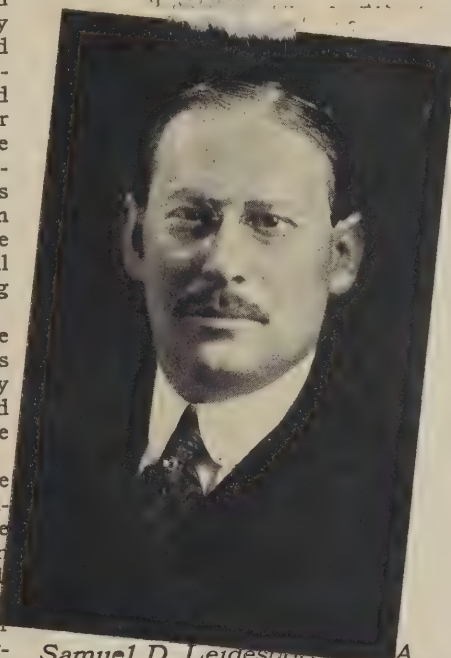
Mr. Leidesdorf was now twenty years old. He had long been planning to enter Accountancy, and he finally decided to make a start. When he told his employers of his intention, they countered with a salary increase and a ten per cent. inter-

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est in the business—the total amounting to at least \$5,000 a year—if he would remain. He remained firm, however, and entered the employ of an audit company at twenty dollars a week. Later he became its vice-president. At twenty-three he set up in Accountancy practice for himself.

When asked how he had built up his large practice, Mr. Leidesdorf laughingly answered that the old saying, "If our work pleases you, tell others, and if it does not, tell us,"



Samuel D. Leidesdorf, C.P.A.

S. D. Leidesdorf & Company
Public Accountants

is a principle which applies to Accountancy as well as to any other service.

Mr. Leidesdorf has positive views upon the prospects of success for the properly trained young man who enters the professional practice of Accountancy.

"The opportunities in Accountancy, in my opinion, are wonderful," remarked Mr. Leidesdorf. "In addition to the fact that the merchants of the country are just awakening to the value of the services of the professional accountant as an aid to increasing the efficiency of their business methods and detecting various leaks and wastages, it is my belief, as well as that of many others, that within the next few years the Federal Reserve Board will require the

certification of statements before it will rediscount commercial paper, and that the urgent demand for technical knowledge will sooner or later be responsible for the appointment of accountants as receivers in bankruptcy, which is the procedure followed in insolvency cases in England."

The value of the appointment of an accountant as liquidator of a business has been demonstrated time and time again by Mr. Leidesdorf. In the majority of cases, which have been handled from the constructive view-point, the result has not only been an administration which has netted the creditors considerably more than they would have received in the usual receivership, but has reestablished the debtor-concern on a sounder basis and saved for the business community a unit of commerce through the application of sound common sense and a technical training.

"If a young man knows the principles of Accountancy," continued Mr. Leidesdorf, "he has almost unbelievable opportunities for advancement in the executive side of private business. The young accountant is brought into contact with many able men, and, if he makes a good impression, he is often offered a promising business connection. I could name any number of successful business men who got their start in this way. The men who know Accountancy in its broad sense make good; and the men who select others know it.

"I find in my own practice that the executives who have been trained as accountants are the ones who most easily grasp the information and the suggestions that I lay before them. They are the men, too, who, when on a directorate, are the most likely, because of their knowledge of accounts, to dominate the board as a whole.

"As indicating the importance which really able men attach to training in Accountancy," added Mr. Leidesdorf, "I might mention that several of my wealthy clients have requested me to take on their sons as members of my staff in order to give them a working knowledge of Accountancy.

"Here is another point about Accountancy. Even the most astute business man is likely to be ignorant of just how he is making his profits if the business as a whole is making money. Especially is this true if the business has several departments. Some of these departments may be making a big profit, while others may be running at a loss.

"I remember a significant incident

Who's
Who

Biograph-
ical
Sketches
of Men of
Affairs

John T.
Kennedy,
LL.B.



WO very important statutes recently passed in New York State, and of inter-

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est to accountants and business executives, both in New York and elsewhere, are reviewed in these columns. These are the

state income tax on manufacturing and mercantile corporations and the amendment to the statute respecting no par stock. Both are typical of statutes passed in other states. Other recent statutes will be considered in the October number.

Income Taxes

INCOME taxes on corporations are now being levied by a number of states. Among the states which have recently imposed these taxes are West Virginia, Connecticut, Missouri, Montana, and New York. The New York statute applies only to manufacturing and mercantile corporations. Every such corporation doing business within the state, whether organized under New York laws or under the laws of other states, is subject to its provisions. Hence, the law is of interest to accountants and business executives concerned with any mercantile or manufacturing corporation doing business within the state of New York.

Corporations covered by the tax are those engaged in manufacturing, buying, and selling "tangible" personal property. "Tangible personal property shall be taken to mean corporeal personal property, such as machinery, tools, implements, goods, wares, or merchandise, and shall not be taken to mean money, deposits in bank, shares of stock, bonds, notes, and credits, or evidences of an interest in property, and evidences of debt."

The amount on which the tax is imposed is determined from the annual return of net income made by the corporation to the United States Treasury Department. On or about July 1st of each year, each of these corporations must submit a report to the tax commissioners, specifying:

"1. The name and location of the principal place of business of such corporation; the state under the laws of which organized, and the date thereof; the kind of business transacted.

"2. The amount of its net income for its preceding fiscal or the preceding calendar year as shown in the last return of annual net income made by it to the United States Treasury Department.

"3. The average monthly value for the fiscal or calendar year of its real property and tangible personal property in each city, village, or portion of a town outside of a village, within the state, and the average monthly value of all its real property and tangible personal property wherever located.

"4. The average monthly value for the fiscal or calendar year of bills and accounts receivable for (a) tangible personal property sold from its stores or stocks within the state; (b) tangible personal property manufactured or shipped from within the state; and (c) services performed within the state; and the average monthly total value for the fiscal or calendar year of bills and accounts receivable for (a) tangible personal property sold from its stores or stocks within and without the state; (b) tangible personal property manufactured or shipped from within the state and other states and countries; and (c) services performed both within and without the state.

"5. The average total value for the fiscal or calendar year of the stock of other corporations owned by the corporation, and the proportion of the average value of the stock of such other corporations, within the state of New York, as allocated, pursuant to section two hundred and fourteen of this chapter.

"6. If the corporation has no real or tangible personal property within the state, the city, village, or portion of a town outside of a village, in the state in which is located the office in which its principal financial concerns within the state are transacted.

"7. Such other facts as the Tax Commission may require for the purpose of making the computation required by this article.

"8. Any corporation taxable hereunder may omit from its report the statements required by subdivisions three to seven, both inclusive, by incorporating in its report a consent to be taxed upon its entire net income."

The rate of tax is three per cent. on the net income.

Should the corporation not do its entire business within the state, the amount of income taxable is apportioned as follows:

"The proportion of the net income of the corporation, upon which the tax under this article shall be based, shall be such portion of the entire net income as the aggregate of—

"1. The average monthly value of the real property and tangible personal property within the state.

"2. The average monthly value of bills and accounts receivable for (a) tangible personal property sold from its stores or stocks within the state; (b) tangible personal property manufactured or shipped from within the state; and (c) services performed within the state.

"3. The proportion of the average value of the stocks of other corporations owned by the corporation, allocated to the state as provided by this section,

Law Department Bears to the aggregate of—
"4. The average monthly value of all the real property and tangible personal property of the corporation, wherever located.

(Continued)

"5. The average total value of bills and accounts receivable for (a) tangible personal property sold from its stores or stocks within and without the state; (b) tangible personal property manufactured or shipped from within this and other states and countries; and (c) services performed both within and without this state.

"6. The average total value of the stocks of other corporations owned by the corporation."

By the provisions of the statute, corporations subject to the tax are exempt from assessment on personal property, and need not pay any annual franchise tax.

Stock Without Par Value

AT the last session of the legislature, the New York statute regarding corporations having stock without par value was further extended. The following announcement from the office of the Secretary of State comments on the advantage of this character of stock under the amended act:

"Among other things, the Walters-Pratt bill is aimed at certain concerns which ruthlessly water their stock, and dishonest promoters of corporations whose one object is the marketing of worthless stocks. The bill adds five new sections to the Stock Corporation Law, and is so constructed that it affords an easy and effective method of changing the shares of stock of an existing corporation from stock having a fixed par value to shares that are without nominal or par value.

"Sections nineteen to twenty-three, inclusive, of the Stock Corporation Law, enacted at the instance of the New York State Bar Association, in 1912, permitted the inclusion in the original charter of corporations thereafter formed or reorganized of a provision for the issuance of shares without par value. It failed, however, to provide any method by which a corporation that had already been formed could be reorganized so that it could obtain the full benefits of the new law without going through the process of dissolution.

"The advantage accruing to a corporation from the right to issue shares without an expressed value, lies in the fact that such shares may be lawfully exchanged for patent rights, secret processes, the good-will of going concerns, or other intangible property rights involving some element of speculative risk, without the necessity of a preliminary determination by the directors that the consideration received is equal to the face value of the shares.

"The corporation having shares without nominal value is likewise sometimes useful as a means

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of apportioning the estate of a decedent among those entitled to share in it, without an inventory or appraisal of its value being necessary, and without interrupting business, if the estate consists of an active concern.

"The new form of shares has the additional merit of putting the prospective investor on inquiry as to the actual value of the shares he is about to purchase, uninfluenced by any representation on the face of the stock-certificates offered that the shares are of a certain stated value.

"This statement of so-called 'par value' expressed on certificates of stock, always immaterial and often misleading, has been frequently not only a contributing aid to stock-watering transactions in the past, but it has been helpful to the dishonest promoters of corporations formed for the sole purpose of disposing of worthless stocks.

"The popularity of the 'no par value' feature of New York's corporation law is shown by the revenues which have been derived from fees and taxes on the organization of corporations of this particular type, already reaching a sum in excess of \$1,500,000."

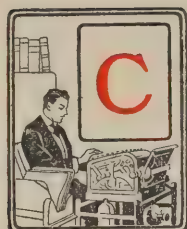
IN one form or another, the Golden Rule is found in most of the religions of the world. Likewise, it has a place in systems of jurisprudence. Manifestations of the Rule are found in equity. One of these is in that part of equity called the "marshaling of securities."

Let us suppose that A is a creditor whose claim is secured by two properties of the debtor, X and Y. B is a creditor of the same debtor, his claim being secured by property Y. A releases his security on property X. Under these circumstances, equity will not allow A to resort to property Y until the claim of B has been satisfied, despite the fact that A, in the first instance, had a right prior to B. This rule rests upon the natural equity that "one man shall not so use the rights which he enjoys, as to prejudice, unnecessarily, the rights or remedies of others."

In this illustration there were two creditors of a common debtor, one of whom had the paramount rights in the two properties, and the other of whom had the junior right in one of the properties. Another rule of equity affecting similar facts is that foreclosure by the paramount creditor on the estate doubly charged shall not operate to the injury of the junior creditor.

For example, A has a mortgage of \$10,000 on two lots—X and Y—each belonging to M, and each valued at \$10,000. On lot Y, B holds a second mortgage of \$3,000. If M does not pay the interest or the principal, A might foreclose on lot Y for the full amount of \$10,000. After A had

Equity in Jurisprudence



CONSTRUCTING a workable accounting system involves more than laying out a system of accounts. Those who are to operate the system must receive ample instructions as to how it works. This taxes

the ingenuity of the accountant in explanation and definition. One point of difficulty frequently met is the operation of the Voucher Records. The following instructions concerning voucher records, prepared by A. F. Young, C.P.A., Accountancy Institute of Brooklyn, treasurer of Nestlé's Food Company, are suggestive:

"(1) Upon receipt of invoices they should be O.K'd as to price, extension, etc., as per illustration below, the form of which is placed on the invoice by rubber stamp:

Date Rec'd and by whom		ACCOUNT TO CHARGE			
Quantity Checked					
Price Checked					
Extension Checked					
Payment Approved					
Entered Vouch. Reg.					

"(2) Enter invoices in Voucher Register, but do not number them unless numbering will be to an advantage in keeping track of the invoices.

"(3) After entering invoices in the Voucher Register, file them alphabetically in a temporary file, pending payment.

"(4) If invoices are numerous, it will be necessary, in order to keep track of the date of payment, to record (a) creditor's name; (b) date of invoice; (c) amount of invoice; and (d) date of payment—on separate cards or slips which may be filed in a daily file under the date of payment.

"(5) When the date of payment arrives, take from the temporary file the invoice indicated on the card and draw a Voucher Check in duplicate (as per form attached), in payment of the invoice, giving sufficient explanatory detail on the statement attached to the check to identify the invoices paid. Then enter the check in the Cash Book, stating the number, payee, and amount. Attach all invoices and original documents which may refer to the payment to the duplicate of the check and statement.

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"(6) The duplicate of the check and statement should be compared with the originals, and the person making the comparison should sign in the space provided therefor.

"(7) File the duplicate with the attached invoices, documents, etc., in numerical order.

"(8) Post the payments from the Cash Book to the "paid" column in the Voucher Register, recording the date and check number.

"(9) Index the Voucher Register as follows:

(a) Where transactions are not numerous, an ordinary index in front of the book will answer the purpose.

(b) Where transactions are numerous, and it is desirable to know how much has been purchased from any particular creditor, use a card index with the creditor's name at the top, and columns for "voucher register," "folio," "description," and "amount of invoice." In some instances, a "paid" column could also be used to advantage. These cards, when filled out, will serve as an index, showing the folio on which each invoice has been recorded in the Voucher Register, and they will also show the total purchases, the paid items which would be checked in the paid columns, if used, and the unpaid items which would remain unchecked; the latter items aggregating an amount which should agree with the credit balance in the Vouchers Payable Account in the General Ledger. This card system is, in principle, the same as a Creditor's Ledger, but involves less work in posting.

"Locating Vouchers in File. In order to locate the voucher and all papers connected therewith, look in the Voucher Register index for the creditor's name, and ascertain the pages on which the name appears. Then look in the paid column, and, if paid, the check number will be given, and the duplicate, together with invoices attached, can be found in numerical order in the file. If the invoice remains unpaid, it can be found in the temporary file, in alphabetical order."

THIS is the age of the young man. He has chances in Business that his father and grandfather never had. If he fails to grasp them and turn them into power and financial return, he has nobody to blame but himself.

At least this is the belief of Charles D. Joyce, of Philadelphia, president of the National Association of Credit Men, who, according to the New York *Herald*, recently made a speech in Kansas City in which he took occasion to give public utterance to some of his views on business success.

Here are some of Mr. Joyce's rules:

Know your business.

Put "punch" into your work every minute.

*The
Young
Man
in Busi-
ness*

Study your work and everything that appertains to it in your home hours.

Do as well as your fellow-workers and just a little bit better.

Don't let the biggest social engagement interfere with the smallest business duty.

Don't have too many "dates."

Mr. Joyce should know what he is talking about, for in 1884 he entered the employ of the A. Colburn Company, dealers in coffees and spices, as an office boy at five dollars a week. To-day he is president of the company, and has six hundred workers under him.

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request of certain designated officials.

Office boys are required to visit desks at regular intervals during the

day for the collection of papers to be routed from one desk to another. This is a very desirable rule, as otherwise the boy may use his discretion, or there may be a tendency on the part of a clerk to keep the boy occupied carrying papers separately instead of collectively.

Another interesting provision is that concerning the obtaining of papers from the file-room. The clerk calls up the file-room for the papers. They are brought to his desk by a messenger. He gives the messenger a receipt. Upon return of the papers to the files, the receipt is returned to the clerk. In this way the files show precisely where papers removed may be in the office.

This is merely suggestive of the rules that might be applied in an office. Of course, special circumstances might call for a different treatment, or for treatment of other subjects than those named.

FIGURES issued by the Bureau of Foreign and Domestic Commerce indicate that the number of concerns manufacturing dye stuffs in 1914 was seven, and that to-day there are some one hundred and fifty. On the basis of these figures, *The Nation's Business* estimates that whereas American plants made about 6,500,000 pounds of coal-tar color in 1914, they are now producing at a rate which may be around 20,000,000 pounds a year.

Dye-stuffs

PACIFISTS claim that the main reason for the long-continued peace between the United States and Canada is the absence of fortifications on the borders. In one sense they are right. Fortifications would probably have been an insistent challenge to the armed strength of the respective nations. America initiated the negotiations for the treaty under which neither side is armed. But this is by no means the real reason for peace. Two nations having so much in common and so thoroughly understanding each other can readily dispense with the test of armed strength. Conflict is the result of emphasizing the differences, and minimizing the common interests, of mankind. Understanding is the great peace-maker. The United States and Canada understand each other, because the United States and Canada are democracies with mutual interests.

Universal Democracy

Autocracy cannot understand the motives of democracy, nor can democracy sympathize with the motives of autocracy. Universal democracy is the prerequisite to universal peace.

Organization Rules

IN these modern days, written communication must be depended upon more and more in the management of large corporations. For this reason, rules and regulations are issued, usually in printed form. Such rules and regulations should be available to new employees, so that they may quickly learn the policy of the establishment. Rigor of the rules may be eased by specifying certain privileges on the part of the employee. Subjects recommended for insertion in a booklet of general information by the National Association of Corporation Schools are:

- | | |
|--|--------------------------|
| 1. Absence rules | 14. Physical examination |
| 2. Bell signals | 15. Questions |
| 3. Bulletin boards | 16. Registering |
| 4. Cleanliness | 17. Resignations |
| 5. Courtesy | 18. Restaurant |
| 6. Educational offers | 19. Rest rooms |
| 7. Elevators | 20. Silence |
| 8. Fire regulations | 21. Suggestions |
| 9. Library | 22. Tardiness |
| 10. Lockers | 23. Telephone |
| 11. Lost and found | 24. Vacations |
| 12. Overtime | 25. Visitors |
| 13. Pay-day | 26. Working hours |
| 27. Written and oral communications in business. | |

A set of rules, somewhat along these lines, is used by Marden, Orth & Hastings Company, Inc. They were issued by Richard FitzGerald, controller, a former Pace student. Certain of these rules deserve special attention.

One rule is that the internal telephone system should be used to secure information from other departments rather than for the clerk to leave his desk. This rule is designed to eliminate waste time. The use of office boys for carrying papers and documents is prescribed, so that the time of clerks will not be employed in this work. Still another rule, on the subject of information, is that the employees are forbidden to give any information regarding their work, except at the

TOOLS are necessary in all kinds of business. Some tools are mechanical and easily seen; others are of a subtle kind, and their operations are not so clearly discernible; but tools they are, just the same, and as such must be regarded. It is, in a sense, a platitude to observe that, no matter what the business, the tools must be kept sharpened and in good repair; otherwise, there will be no finished product worthy of the name.

Take salesmanship for example—oral salesmanship, I mean. Some of the most useful tools here are a well-modulated voice; distinct enunciation; the use of correct, simple English; and the ability to present facts and arguments in so clear-cut and orderly a manner that the prospective purchaser will instantly grasp them. If a salesman does not possess these tools, or does not keep them in good condition, he needlessly handicaps himself. He works with sand in the gears.

To illustrate: the other day I went to an automobile salesroom to look at a car—not a limousine, I will admit, but still a car—which I thought I might buy. The salesman who took me in charge was a brisk young fellow. He was neatly dressed. He was courteous and anxious to please. He did not “knock” competing cars. And he talked with authority; there was the note of finality in what he said—I liked that. In these respects he was not a poor salesman.

On the other hand, he talked too much. He never gave me a chance to ask questions. He kept doing what he called “antispating” my questions. What he said was too technical for me; I grasped only a little of it. And he was like a bumblebee in buzzing from one thing to another; his selling-talk was disorderly and disjointed. I got only a confused impression of many unrelated points—at least, they seemed unrelated to me.

His English grated on me, too. He persisted in saying “these kind,” “hadn’t ought,” “between you and I,” and “this here”—to mention only a few errors; and he used too much slang. His enunciation was offensively faulty—like that of many carelessly speaking Americans, be it said to our discredit. He said “sawr” instead of “saw,” “frinistance” instead of “for instance,” “whatcha” instead of “what do you,” “manfackcher,” instead of “manufacture,” “polcy” instead of “policy,” and so on. I felt all the time like telling him to open his mouth.

As for his voice, it was high-pitched and strident. There was no

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mellowness or resonance in it. The result was that I felt nervous and irritated; and my attention was deflected from his description of the car to his vocal mannerisms and defects as a salesman. I began to feel that I wanted to get away—and I did shortly—for the sum total of favorable impressions made upon me was less than the sum total of unfavorable impressions.

I have noticed these same defects—some of them anyway—in many salesmen that have come to see me at my office. While they are generally good fellows, and know what they are talking about, they have often impressed me unfavorably because of their poor English, their poor enunciation, their poorly managed voices, or for some other reason, insignificant in itself, perhaps, but bearing pretty directly, none the less, on the matter of impression-making. And I know that many of my business acquaintances have been as unfavorably impressed as I have.

If I were to give a word of counsel to the great majority of salesmen throughout the country—the men who depend largely for their success upon what they say by word of mouth, my counsel would run somewhat like this:

Furbish up your English. Make sure of your grammar. Weed out most of your slang quips and turns. Add to your vocabulary a plentiful stock of Anglo-Saxon words and phrases. Settle the correct pronunciation of the words you use. Speak plainly, taking time enough to bring out every syllable that a word has. Train your voice so that it becomes mellow and resonant and pleasing. And get some notion of how to arrange what you have to say so that it will be understood by, and come within the experience of, the people to whom you are trying to sell goods.

These things and others like them I would say to salesmen, because selling is like every other kind of business—it has its tools, and these tools, especially those that relate to the use of English and the handling of the voice, must be kept in the best of condition in order to insure the best selling-results.

EDWIN J. ROBESCH, Pace Institute, formerly employed by the Knickerbocker Mutual Liability Insurance Company, has accepted a position on the bookkeeping staff of Pearsall & Company.

AMERICAN accountants have contributed largely to the education of financial and commercial houses in the presentation of statements. The following extract from *The Accountant*, an English weekly, is complimentary to the prowess of Accountancy in America:

“The writer of Banking Notes in the *Financial News* remarks that in respect of the great majority of bank balance sheets in this country, it is impossible to tell either what percentage of the bank’s portfolio consists of prime paper, or what proportion is of short maturity. It is regarded as surprising that our banks have not altered their method of presenting accounts to the public by adopting some uniform system by which the existing headings are dissected. Cash in hand should be kept distinct from balances at the Bank of England, and money at call from money at short notice. Government and other securities should be shown as individual items. Loans should be divided into groups, according to nature and maturity. Treasury bills should be shown apart from ordinary discounts. Bank and commercial bills should be divided and itemized according to maturities. The contributor regards the Balance Sheet just issued by the Irving National Bank (an American house) as more nearly approaching the ideal so often discussed. This institution marshals its assets as follows:

- (1) Cash in vault.
- (2) With Federal Reserve Bank and exchanges for clearing-house.
- (3) With correspondents and loans at sharp call.
- (4) Eligible for rediscount with Federal Reserve Bank.
- (5) Other loans and discounts due within thirty days, due thirty to ninety days, due ninety to one hundred and eighty days, due after one hundred and eighty days.
- (6) Short-time securities.
- (7) United States and other bonds.

Nos. 1 to 4, inclusive, are marked as assets ‘immediately available.’”

Another evidence of interest taken by English accountants in the progress of Accountancy in this country, is the publication in *The Accountant*, in full, of the recent pamphlet on “Fundamentals of a Cost System for Manufacturers,” issued by the Federal Trade Commission. *The Accountant* has arranged with Professor Lawrence R. Dickse, M.Com., F.C.A., for a series of contributed articles dealing with the important questions in connection with the system outlined in that pamphlet.

Foreign Languages ONE branch of learning which this war has demonstrated the need of in America is foreign languages. If we are to be a truly world power, if we are to cultivate intimate social and trade relations with foreign countries, our people must know other languages than English.

New opportunities for young men in foreign trade are in the making. From now on our foreign trade will grow by leaps and bounds. Three causes for this growth are: necessity of rehabilitating European countries now devastated by war, the building of an American merchant marine, and the establishment of branch American banks abroad.

Europe cannot supply all that will be necessary to rebuild. These supplies must come largely from America. The extent of this foreign trade can be surmised from the terrible destruction of the world conflict.

The great barrier to the development of trade in South America has been the lack of an adequate merchant marine. Time and again, statesmen and business leaders have urged America to cultivate trade relations with South American countries. Despite these urgings, our commerce with that continent is comparatively negligible. A large part of this trade has gone to Germany. Germany's one big ally in securing it has been her merchant marine. Upon the termination of the war, Germany's home needs must check her foreign expansion, at least, temporarily. Moreover, we will then have a large ocean merchant marine, our first line of attack for markets which are naturally ours.

Recent developments in banking give a clue as to the future prospects in foreign trade. A provision of the Federal Reserve Act, passed shortly before the war, accords national banks the privilege of having foreign branches. Until the last year, little attention was given to this provision. To-day, many banks are training young men for positions in the foreign branches they are opening. In modern commerce banks are indispensable to trade. Trade is likewise indispensable to banks. These banks are investing their funds in foreign branches, because they know that American trade in foreign countries will warrant the expenditure.

Some men understand foreign languages who do not understand business. Others understand business, but do not know foreign languages. Conditions are upon us which will demand men who have the combination of a knowledge of foreign lan-

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guages and a broad business education.

Blind indeed is the young man who does not recognize the multiplied opportunities for business success which the training in one or more foreign languages will bring.

WE all like to know where we stand and how we measure up. The following, written by H. J. Barrett, in the *New York World*, is so much to the point that we print it entire.

"Here is a blank application which is used by one of the country's great advertising agencies for the purpose of judging the qualifications of candidates for employment," remarked a local business man.

"It struck me that most of the questions applied equally well to almost any line of business. Look it over and see how you measure up. Note that they demand the information regarding your record with former employers four times, i.e., from four employers.

Have you judgment?
Manual accuracy?
Mental accuracy?
Clearness of expression?
Patience?
Perseverance?
Poise?
Energy?
Self-confidence?
Optimism?
Are you systematic?
Conscientious?
Deliberative?
Impulsive?
What do you lack?
What is your ambition?
Do you do your best work when it is planned for you, or when you plan your own work?
How seriously do you take your work?
What is your hobby?
Does it interfere with your business?
How do you spend your leisure time—chief sports or amusements?
Are you a member of any club, organization, or society?
Former employers?
Name and address?
What work did you do?
What salary did you receive?
Why did you leave?
What one thing do you think you contributed while at this work which improved or developed either it or the method of handling?

Of what part of the work are you most proud?
"Then comes a test which applies only to the advertising profession.

Select from the last issue of the (name of well-known national weekly) what, in your opinion, are the three best advertisements. Give your reasons for this selection in not more than 100 words.

"This application blank is supplemented by a personal interview upon which much depends."

THE Pace Student takes pleasure in quoting portions of a letter from W. E. Atkinson, Managing Director of the Merchant Traders of America, in which he gives his views on Democracy in Business, which was the subject of an article in our April issue.

Mr. Atkinson expresses his appreciation of the great importance of the question at the present time, and then states in the following terms the means necessary for securing this object:

"It seems to me that the best medium for the development of an esprit de corps in any enterprise is founded on interest. In other words, if a man works on a commission basis, his labors are usually accelerated, unless he be a laggard. If a man works on a coöperative arrangement with his employers, the relations are even more cordial and the effort more enthusiastic. Hence, it seems to me that democracy in business can arise in two ways:

"1. By the employer providing the opportunity for individual initiative and coöperation by the employees, and encouragement of organizations for their benefit.

"2. By the desire of the employees, having been given the opportunity to come into closer relations with their employer and one another, of their own volition to take steps to insure greater democracy."

The foundation of commercial democracy is embodied in the two principles enunciated by Mr. Atkinson. The business organization and the employees that adopt these policies should enjoy mutual contentment and prosperity.

M. BRECKWOLDT, Accountancy Institute of Brooklyn, has joined the Depot Company, Co. B, 1st Battalion, New York Signal Corps, N. G.

J. E. P. MORGAN, Pace Institute, Extension Division, has joined the One Hundred and Tenth Regiment of the Canadian Expeditionary Force.

Measuring Yourself

Democracy in Business



NATIONAL preparedness is, after all, a matter of individual preparedness. At this time industrial preparedness of individuals is essential to speedy military success. After the war this industrial preparedness of individuals will be indispensable to national, economic, and material welfare.

Personal Preparedness

Every important nation is now, by force of circumstance, keyed to the highest pitch in industrial efficiency. Traditions and precedents have been overturned by the necessity for action. All this effort is now directed toward military supremacy. In the future, it means keen competition between worthy rivals for world markets.

America must get her share of this world trade. America's hope lies in the preparedness of the young men of America to contribute intelligent directive effort. For his own good and for the good of the Nation, every young man should prepare to render the most effective service in this new alignment of industrial activity.

For most young men, this preparedness means a course of study. Careful planning should precede the undertaking of the course. Courses far removed from business utility should be avoided. Highly specialized study is usually advisable only after a thorough study of a broad, fundamental course.

The best guide in planning a course of study is the need for men trained in the specific subjects considered. So-called "new professions" or fad vocations, offering roseate promises of success with little effort after an insignificantly short course of study, have lured many young men from practical study work. These are in the same class as other "get-rich-quick" schemes, and should be shunned accordingly.

Self-culture courses of a general nature, not connected with orthodox academic training, are seldom of lasting benefit. If they enlist the interest of the young man, he should regard them as courses to be taken after, and not before, the study of subjects which will fit him for immediate utility in the business world.

A law student would not think of studying only corporation law to become a corporation lawyer,

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nor would a medical student think of studying only about the ear or the throat to become an ear or throat specialist. Likewise, a broad course in accounting is a necessary foundation to the man who would study the specialized subject of cost accounting. To reach the highest point in a business specialty, a broad general business education, as a foundation, is indispensable.

The counsel of men experienced in business, or experienced in educating for business, should be obtained as to a specific course. They will gladly give advice which may prevent expensive mistakes.

A new era is dawning upon the business world. It will call for executive effort of the highest and most skilled type. Whether the young man is to be a routine toiler or a constructive leader depends upon how he prepares now for the work he is to do then.

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Interpreting
the Purpose, Spirit, and Needs
of Modern Business*

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SCHOOL spirit does not mean effervescent

noise. You cannot judge the contents of a bottle by the popping of the cork. School spirit simply means doing all you can to help your school maintain a high reputation, and to increase the scope and degree of its influence. School spirit means that by helping others you help yourself.

If a graduate gives poor service, he hurts his school and hurts the vocational future of the other graduates from his school. If he renders efficient service, he

helps his school and helps those who graduate from his school. The greater number of students graduating from his school who render useful service, the greater the value of his own graduation certificate in his efforts to climb high in his vocation. His interests and the interests of his school are inseparably linked.

Vocational service of the school to its students is based, not only upon what goes out from the school to the students, but also upon what comes into the school from the students. There must be a complete cycle of coöperative effort. The school must render its best service to the student, and the student must give his best service to the school. To the degree in which students show true school spirit, is the field of utility of the school broadened, and are the opportunities of its students multiplied.

School Spirit

Women in Business **S**PECULATION is now rife as to what women will do during and after the present war. Sometimes this speculation is mixed with a species of sensationalism. Love of contrast leads some newspapers to feature women in positions as much beyond the vocational field of women as it is possible for imagination to picture.

What the patriotic, sensible women of America want, and what they propose to get, is an opportunity to render worth-while service of a character suited to their abilities. The opportunities are not difficult to see. Thousands of women are in industry to-day. Thousands of men are doing duties similar to those performed by women in industry. Gaps in the ranks of these men are bound to occur during the war. Women who can be spared from their home duties will render the most useful service by taking the places of these men.

An answer to the problem is suggested by the Government itself. Instructions have been issued that, so far as possible, all new clerical positions in the Government service be filled by women.

Only a short period of training is necessary for the educated woman who would engage in office work. Sufficient varieties and kinds of office work exist to meet the varying abilities and capabilities of different women. Office work is preëminently a branch of work for which women, as an entirety, have demonstrated capacity. Hence, the woman who would quickly find a useful sphere for her activities during the present war can make no wiser choice than office work.

Be Positive **H**E is not without friends," we say when we mean to let an unsociable person down easily, in respect to his capacity for making friends. Grammarians call this collocation of words a "double negative," which is equivalent to a "softened affirmative." It is a desirable enough way of expressing oneself, if one does not wish to make a positively affirmative declaration.

Still, it's somewhat of a reflection upon a person when you "double negative" him, isn't it—especially when you are referring to his basic qualities? If you tell me I am "not without" good looks, "not without" brains, "not without" industry, "not without" sympathy, "not without" capacity for development, I do not feel especially complimented. The trouble with a good many of us is that we are "double negatives"—"softened affirmatives," if you please.

Let us get rid of the "double-negative side" of our natures. Instead of being "softened affirmatives," let us develop a downright, square-toed attitude upon all vital aspects of our business and

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social relations. Then we shall become "positive affirmatives"; and it is the "affirmative" folks that conceive things, plan things, and accomplish things.

LET us have more "coöperative intuition," as a business friend of mine aptly calls it. There are certain things which we should like to have our associates, our subordinates especially, do—things they should think of themselves, without suggestion or prodding from us. They are things that we cannot very well chart or codify or discuss because of their flexible nature. They mean a lot, though, to a busy executive in the long-run. The private secretary, who, when the closing hour comes, silently closes his desk and takes his departure without consulting his employer who is still in his office, lacks "coöperative intuition." The stenographer, who, because of the sudden piling-up of work, mechanically works on without using judgment as to what letters shall be left till the morrow, lacks "coöperative intuition." The office boy, who, even when he casually notices that incoming pieces of mail have been incorrectly routed, says nothing about the matter, lacks "coöperative intuition." An alert, never flagging interest in one's work and its possible expansion—this is what lies at the root of "co-operative intuition."

Intuition

MODERN executives are coming to realize the importance of proper vocational adjustment on the part of their employees. Apropos of this matter, Thomas E. Wilson, president of Wilson & Company, successors to the great meat packing concern, Sulzberger & Sons' Company, is quoted in the August issue of the *American Magazine* as saying:

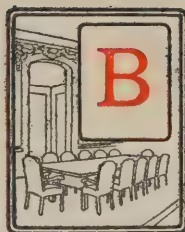
Vocational Adjustment

"I strive constantly to have every employee on the pay-roll doing the kind of work he likes to do. At every opportunity I talk to the men, including the laborers about the plant, trying to find men who have special aptitudes or liking for some particular thing. A man may be doing his task well, but there is always the chance that he could do something else even better. Think of the plight of the man who is obliged to sit and add figures all day when he is naturally poor at figures, but is a born wonder as a mixer among men, and yearns to be out selling goods. Think what he is losing and what his employer is losing!"

UNDER a coöperative plan instituted by the management, more than one-half of the employees of the Mechanics and Metals National Bank, of New York City, are share holders.

*Instal-
ment
Distri-
bution
of Part-
nership
Assets*

*Elmer O.
Stevens,
C.P.A.*



BUSINESS men and accountants are often called upon to work out the division of losses and to make a distribution of the assets of partnerships in instalments. Unless a partnership business is sold as an entirety, the realization of cash for the assets is ordinarily slow. Partners do not care to wait until all of the assets are realized in cash, and the necessity for dividing such cash as has been secured arises. The making of this division in such manner as to protect each partner, should all the remaining unrealized assets be lost, involves a perplexing problem. Probably for this reason the following proposition, dealing with the instalment distribution of partnership assets, was given in the first examination of the American Institute of Accountants last June:

A, B, and C were in partnership, A's capital being \$90,000; B's, \$50,000; and C's, \$50,000. Their agreement is to share profits in the following ratio: A, 60 per cent; B, 15 per cent; C, 25 per cent. During the year, C withdrew \$10,000. Net losses on the business during the year were \$15,000, and it is decided to close out the business. It is uncertain how much the assets will ultimately yield, although none of them is known to be bad. The partners, therefore, mutually agree that as the assets are liquidated, distribution of cash on hand shall be made monthly in such manner as to avoid, so far as feasible, the possibility of paying to one partner cash which he might later have to repay to another. Collections are made as follows: May, \$15,000; June, \$13,000; July, \$52,000. After this no more can be collected. Show the partners' accounts, indicating how the cash is distributed in each instalment, the essential features in the distribution being to observe the agreement given above.

In solving this problem, the effect of the distribution on the partners' interests can be shown best by means of a columnar statement. C's withdrawal is first deducted from his original contribution of capital. Net losses for the year are next apportioned among the partners, in accordance with their partnership agreement, and deducted from the balances of the partners' capital accounts, leaving balances of: A, \$81,000; B, \$47,750; and C, \$36,250; aggregating \$165,000.

To avoid overpayment of any one of the partners' accounts in making instalment distributions of cash realized from liquidation of the assets, the accounts must be ultimately brought to the same proportions that losses would be sustained. A

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bears losses in the ratio of 60 per cent; B, 15 per cent; and C, 25 per cent.

At the time of each distribution, there must be withheld as to each partner his proportion of contingent losses. The balance, which would be in the capital account of each partner, assuming all unrealized assets lost, is determined. If a debit balance should, under these conditions, appear in one or more partners' accounts, then the proportions of loss which would be incurred by the other partner, or partners, should the debtor partner, or partners, be unable to pay, is determined. This proportion of loss is deducted from the amount of credit balances appearing in the other partners' accounts, the result giving the amount to be distributed to each of these partners. Illustration of the steps to be taken in each case follows:

Deducting May collections of \$15,000 from the total capital, there remains \$150,000 as the maximum loss that possibly can be incurred. A's proportion of this contingent loss is \$90,000; B's, \$22,500; and C's, \$37,500. Assuming these amounts debited to the respective accounts, balances would appear as follows: A, debit balance, \$9,000; B, credit balance, \$25,250; C, debit balance, \$1,250. Should this loss ensue, and should A and C be unable to pay their obligations to B, then the amount of their indebtedness deducted from B's balance would leave \$15,000 as the amount B would receive. This is the amount B receives under the first distribution, neither of the other partners receiving anything.

Upon deducting the \$13,000 collected during June from the total of the partners' balances, which represent total assets, we have \$137,000 as the maximum possible loss. Apportion this total in the same manner as before, and A's proportion is \$82,200; B's, \$20,550; and C's, \$34,250. The capital accounts then stand, if debited with these amounts: A, debit balance, \$1,200; B, credit balance, \$12,200; and C, credit balance, \$2,000. If A were unable to pay the \$1,200 debit balance in his account, the loss must be distributed between B and C in the relative proportions that they would stand other losses—that is, three-eighths or \$450 to B, and five-eighths or \$750 to C. This would leave as B's balance, \$11,750, and C's balance, \$1,250, which would represent the proportions of the \$13,000 each would receive.

The July collections reduce the combined losses of all the partners to \$85,000. A's share of this loss is \$51,000; B's, \$12,750; and C's, \$21,250. When the loss has been applied to the balance of each partner's account, we find that A will receive \$30,000 of the \$52,000 collected in July, B will receive \$8,250, and C will receive \$13,750.

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(Continued)

Effect of Distribution on Partners' Capital Accounts

	A	B	C	Total
Partners' Capital	\$90,000	\$50,000	\$50,000	\$190,000
Less, Withdrawal			10,000	10,000
	<u>\$90,000</u>	<u>\$50,000</u>	<u>\$40,000</u>	<u>\$180,000</u>
Less, Net losses during year	9,000	2,250	3,750	15,000
	<u>\$81,000</u>	<u>\$47,750</u>	<u>\$36,250</u>	<u>\$165,000</u>
Distribution of Cash—May collections		15,000		15,000
	<u>\$81,000</u>	<u>\$32,750</u>	<u>\$36,250</u>	<u>\$150,000</u>
Distribution of Cash—June collections		11,750	1,250	13,000
	<u>\$81,000</u>	<u>\$21,000</u>	<u>\$35,000</u>	<u>\$137,000</u>
Distribution of Cash—July collections	30,000	8,250	13,750	52,000
Losses chargeable to partners	<u>\$51,000</u>	<u>\$12,750</u>	<u>\$21,250</u>	<u>\$85,000</u>

A, CAPITAL

To Net Loss (60%)	\$ 9,000	By Balance (at beginning)	\$90,000
“ Cash	30,000		
“ Loss on Realization	51,000		
	<u>\$90,000</u>		<u>\$90,000</u>

B, CAPITAL

To Net Loss (15%)	\$ 2,250	By Balance (at beginning)	\$50,000
“ Cash	15,000		
“ Cash	11,750		
“ Cash	8,250		
“ Loss on Realization	12,750		
	<u>\$50,000</u>		<u>\$50,000</u>

C, CAPITAL

To Withdrawal	\$10,000	By Balance (at beginning)	\$50,000
“ Net Loss (25%)	3,750		
“ Cash	1,250		
“ Cash	13,750		
“ Loss on Realization	21,250		
	<u>\$50,000</u>		<u>\$50,000</u>

Samuel
P.
Leides-
dorf,
C.P.A.

(Continued)

bearing upon this very matter. A certain friend of mine is at the head of a concern which does an annual business well up in the millions. His son, a young fellow only twenty-four years old who had studied Accountancy, took it into his head to examine the profit-results of each department. He found that two of them were running at a heavy loss. At first his father laughed at his findings, but later they were proved to be correct. To-day that business is almost twice as profitable as it used to be—all because a young chap who had studied Accountancy decided to investigate and systematize it."

"Have you any views upon the kind of young men that should study Accountancy either as a profession or with the purpose of becoming business executives?" I asked Mr. Leidesdorf. "Yes, I have some very positive views," he replied. "The young man going into Accountancy should naturally be of an analytical and inquiring turn of mind. He should be somewhat of a mathematician. He should take an interest in finance, economics, and matters of that kind. But, above all, he should have sound business sense; he should train himself to understand all kinds of business opportunities when they

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come up. The best accountant must be much more than a wizard at figures.

"And now we come to the matter of study," went on Mr. Leidesdorf. "A man who wants to get ahead in Accountancy, and by Accountancy I mean accounting, finance, law, economics, and principles of organization and management, must study the subject from all angles. Accountancy is a science, and a broader and more far-reaching science than most people realize. It is based on principles and laws that must be fully understood. The best way to master Accountancy is by means of study. Personally, I prefer study in a good institution to study by oneself. Actual experience is, of course, very important. In my opinion, that accountant is developing himself in the best way who combines theoretical study with its practical application. The day of the single-track bookkeeper who called himself an accountant and made other people believe him has gone by."

Mr. Leidesdorf, still a young man

in fact, has been so successful that his views are entitled to great respect. For that reason, they have been set forth in some detail. His words should bring encouragement to hundreds of young men who are studying Accountancy and Business Administration. One of the attributes of success—an attribute which Mr. Leidesdorf himself possesses to a great degree, but did not mention—is personality. Considerate of others, even-tempered, just, and four-square, Mr. Leidesdorf has only to meet a man to make him a friend for all time.

REUNION of the classes of Pace & Pace Resident School of Accountancy in New Haven was held at The Momauguin, Monday evening, July 9th, 1917. Informal remarks were made by V. R. Kilboy of the senior class, and E. Manchester, Jr., and G. A. Hilliard of the junior class. The speaker of the evening was Donald A. Adams, whose subject was "Preparing for Opportunities."

Snapshot definition of a good junior accountant by a senior: "Doesn't make a peep and uses his head."

What can I do?

This is the question thousands are asking. National appraisal has caused searching individual self-appraisal. Animated by patriotic motives, men and women are now, more than ever before, interested in determining their capabilities. In appraising yourself, or others, mere guesswork may be eliminated and scientific conclusions reached, by using the book—

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Lecturer on Vocational Counseling, Pace Institute, New York

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Law Department received the proceeds for his debt, there would remain no value to secure the mortgage of B. In this instance, equity will intervene on behalf of B, so that B will be substituted, or, as it is called, subrogated, to the rights of A in lot X. Thus, the assets of M have been so marshaled that the security of the junior mortgagee is not impaired, and the respective rights of A, B, and M are equitably adjusted.

(Continued)

In certain cases the above would be modified, and the junior creditor permitted to compel the paramount creditor to foreclose on the estate not doubly charged, before resorting to the estate on which the junior creditor has a mortgage.

A third example of marshaling securities is where a judgment debtor holds two tracts of land subject to the lien of the judgment. The judgment debtor then sells one of the tracts. The purchaser from the debtor has the right to have the judgment satisfied first out of the unsold tract, his tract being resorted to only to the extent that the tract not sold him is insufficient to meet the claim. This right of the purchaser is paramount to the rights of other creditors subsequently getting a lien on the unsold tract.

Broadly speaking, the doctrine is, that if several creditors have a common debtor who has several funds, all of which can be reached by one creditor, and only a part of which can be reached by the others, the one creditor must take payment out of the funds to which he can resort exclusively, so as not to impair the rights of the others. A modification of the doctrine as stated is, that if the other creditors can be subrogated, this remedy may be invoked. Even a superficial examination of the examples show that the doctrine is not only founded upon elementary principles of justice, but also is a preventive of fraud.

Inventories

LARGE organizations have systematic means of taking inventories. These inventories include merchandise, materials, and property held for permanent use. Corporations frequently make a definite charge to department heads for the fixed property used in the departments. Such things as furniture may be marked with a number and also a symbol as to each department. A desk might be marked "S26," indicating that the desk is chargeable to the selling department, and that its number is twenty-six. At certain intervals the person in charge of properties will check up the book-inventory by a physical inspection, going

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from one piece of furniture to another and checking each piece on the inventory. This manner of inventory extends even to keeping a record of the number of ink stands, rulers, etc., that might be used in each department.

Like care is exercised respecting the inventory of material and merchandise. One example of this is that of a large chemical house, which has branches in twelve cities. There is a division of commodities as to six departments, which are: Chemical, Intermediate, Oil and Grease, Textile, Tanning Extract, Manufacturing Materials and Supplies. Each department is given a distinctive number. Generic terms are then used for groups of articles, the articles being mentioned in their particular group under the department classification.

For instance, the Chemical Department is numbered "40." The commodities are classified into eight main divisions, as follows:

- 40 Chemical Department
 - 400 Acids
 - 401 Potashes
 - 402 Sodas
 - 403 Ammonium compound
 - 404 Aluminum compound
 - 405 Barium compound
 - 406 Calcium compound
 - 407 Coal tar derivations
 - 408 Miscellaneous

Any article in the Chemical Department would have, as the first two digits in its number, "40." An acid in that department would have, as its first three digits, "400." The kinds of acids are then numbered consecutively. As a further illustration of the method in use, let us take some examples from potashes. The numbering would be:

- 40 Chemical Department
 - 401 Potashes
 - 4011 Potassium hydrate (Caustic Potash; 88-92%; 70-75%)
 - 4012 Potassium chlorid (Muriate of Potash)
 - 4013 Potassium bichromate
 - 4014 Potassium carbonate (Alkali Tartarata) Calcined and Hydrated
 - etc.

The method of numbering is

somewhat similar to that sometimes used in accounts. It is useful in inventories where there are a large number of commodities, divisible as to departments or kinds. This is but another illustration of the systematic classification of detail in business for the purpose of control.

THERE is one principle which a man must follow if he wishes to succeed, and that is to understand human nature." This statement formed part of an article contributed to a business magazine recently by Henry Ford. The article was reviewed in the January *Bulletin* of the National Association of Corporation Schools.

To be able to get another person's point of view and to look at things from his angle, as well as from one's own, constitutes the secret of success, Mr. Ford declares. He further asserts that the success of a man's business will be in direct proportion to his ability to understand people, especially the people working for him. "If he is going to get their best work and effort, their interest, and consequently the best results in his business, he has got to realize that he has human beings working for him who have the same ambitions and desires that he has. . . . It is the easiest thing in the world to inspire this loyalty, but it's not to be done by any trick. It's simply a matter of honest, sincere understanding of the workman's interests, a recognition of his ambitions as a human being."

Mr. Ford also emphasizes the necessity of thinking, in order to advance in the business world. The habit of analysis, the ability to go deeper than the surface and to grasp essentials, all contribute to success. "My advice to every business man is to read a lot and think a lot and work a lot. If he will think and think and keep on thinking, and follow up his thinking with work, he is certain to succeed. But he must not fail to think about people as well as things. He must understand human nature."

MRS. L. LLOYD PRESTON and MISS HELEN PRESTON, Pace War Emergency Class, have been rendering volunteer clerical service in connection with the Sixth Division Ammunition Train. Prior to the war they conducted tours to foreign countries. Mrs. and Miss Preston have been registered at the War Department in Washington as being available for service in France, either as interpreters or for clerical duty.

Human Nature

Horatio
N. Drury,
B.A.



them with the value of this kind of public speaking—business speaking, it may almost be called. If they are persons of any consequence whatsoever, there have been many times when they would have “given anything”—to use an oft-heard phrase—to be able to stand up before a group of their fellows and give voice to their thoughts and ideas. Yet they have, as a general rule, supinely kept their seats, never uttering a word of dissent or support, even though the matter under discussion was one that closely touched their respective interests. It is an old story and a sad one—the story of this fancied inability to speak in public.

One reason why the average person is so loath to speak in public is his inability to distinguish between the purposes of various kinds of speeches. He is likely to think of a speech as necessarily something hortatory or oratorical or witty. Some speeches have one or another of these qualities, and appropriately so; but this is by no means true of all speeches, or even of the most common kinds. In point of fact, clearness is, or should be, the purpose of the majority of the speeches—talks, rather—which the average business man or woman is called upon to make.

And what is clearness? Just this—making whatever you say understandable without effort to the persons you are talking to. Clearness means lucid explanation, and lucidity is the result of knowledge of your subject presented in a step-by-step order of development. If your purpose is clearness, you are not concerned with whether your hearers believe what you say, or with stirring them to action, or with pleasing them particularly. Your sole business is so to present your subject that they will understand it thoroughly. Personal comment is out of place. Clearness is the only purpose of the judge in making a decision, of a teacher in presenting a problem, of a lecturer in explaining the customs of a foreign land, of a business executive in elucidating a change in firm policy, of a public official in reviewing the achievements of a political administration. Hun-

OST business and professional men and women know the practical importance of being able to speak logically and clearly before others. You do not need to impress

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dreds of other examples might be cited, but these will suffice.

The purpose of each of the following excerpts is clearness:

“It is generally admitted that America has produced an original type of humor, which, however difficult of definition, is unmistakable in its main characteristics. The shrewd, calculating, keen-witted Yankee, serenely confident and good-natured, as presented by ‘Brother Jonathan,’ has impressed his unique personality strongly upon our literature; but injustice has been done to our human genius, especially by foreign admirers, by exalting the more crude and vulgar manifestations of this character. The perverted spelling of ‘Josh Billings,’ the inimitable foolery of ‘Artemus Ward,’ and the perennial waggery of the ‘funny man’ of the newspapers are not so truly representative of American humor as the refined literary products of ‘Hosea Bigelow’ and the ‘Autocrat.’ Indeed, an improving taste is demonstrating that humorous expression does not need to be rude, boisterous, and vulgar in order to be American. Our finest humor to-day is found in the work of such writers as Stockton, Howells, Kate Douglas Wiggin, Mary E. Wilkins, and Robert Grant, where it appears as a delicate and graceful literary quality—a flavor rather than an independent substance—that vitalizes its subject with permanent interest. The saving grace of much of our contemporary fiction is this quality of piquant and pervasive humor.”—J. T. Abernethy.

“To-day we have schools where the future lawyer, dentist, veterinary surgeon, clergyman, civil engineer, mechanical engineer, architect, musician, painter, elementary-school teacher, can find each a special training looking toward the specific duties of his future calling. Nor are the special schools to be found only with reference to the learned or quasi-learned professions just mentioned. They are springing up upon every hand as preparatory institutions for the mechanical trades as well. The various manual-training schools, the trade schools, and institutes of all kinds offer to-day facilities for the learning of plumbing, carpentering, iron-working, and type-setting. In a word, the era of systematic training in an educational institution for the active duties of life as opposed to the era of haphazard

learning one’s business in the office, the field, or the shop seems to be fairly opened.”—Edmund J. James.

“Cash, aside from the dangers due to its convertibility, occupies a distinctive position among business assets. Practically all settlements are made in cash. Hence, the relation between the balance of cash on hand and maturing liabilities is of primary business importance—the lack of cash to meet maturing obligations means insolvency. On the other hand, the management of a business continually exerts itself to carry its trading, manufacturing, or other business activity to a point where actual cash is realized. Materials or goods are bought, and salaries, wages, and other expenses are incurred, to gain increased values. Ultimately, after passing, it may be, through the form of accounts receivable and bills receivable, the values are realized in cash—actual money, if money is demanded. Profit itself is not available after it is earned, unless the excess values received as profits are realized in cash.”—Homer S. Pace.

“More than a thousand different kinds of snow-crystals have been described; but various as these are, they are all characterized by the same symmetry. Some of these snow-crystals are simply solid rods or flat scales, each with six sides; others are six-sided pyramids, but the most common form is that of little six-pointed stars, variously modified. Each star has an icy center as a nucleus, from which six little spicules, or rods of ice, are shot forth at regular angles; and from the sides of these rays, secondary rays, or raylets, may be given off at the same angle, thus producing complex stars of great beauty, but, in spite of their complexity, always true to the hexagonal symmetry of the system to which ice belongs. Each part of the pattern is repeated round the center six times, as is generally the case with the beautifully symmetrical shapes which can be seen in a kaleidoscope.”—T. H. Huxley.

“But enough of the cooking-fire. Let us turn now to the subject of the smudge, known in Lower Canada as *la boucana*. The smudge owes its existence to the pungent mosquito, the sanguinary black-fly, and the peppery midge—*le marin-gouin, la moustique, et le brulot*. To what it owes its English name I do not know, but its French name means simply a thick, nauseating, intolerable smoke.

"The smudge is called into being for the express purpose of creating a smoke of this kind, which is as disagreeable to the mosquito, and black-fly, and the midge, as it is to the man whom they are devouring. But the man survives the smoke, while the insects succumb to it, being destroyed or driven away. Therefore, the smudge, dark and bitter in itself, frequently becomes, like adversity, sweet in its uses. It must be regarded as a form of fire with which man has made friends under the pressure of a cruel necessity.

"It would seem as if it ought to be the simplest affair in the world to light up a smudge. And so it is—if you are not trying.

"An attempt to produce almost any other kind of fire will bring forth smoke abundantly. But when you deliberately undertake to create a smudge, flames break from the wettest timber, and green moss blazes with furious heat. You hastily gather handfuls of seemingly incombustible material and throw it on the blazing fire, but the conflagration increases.

"Grass and green leaves hesitate for an instant, and then flash up like tinder. The more you put on, the more your smudge rebels against its proper task of smudging. It makes a pleasant warmth, to encourage the black-flies, and bright light to attract and cheer the mosquitoes. Your effort is a brilliant failure.

"The proper way to make a smudge is this. Begin with a very little, lowly fire. Let it be bright but not ambitious. Don't try to make it smoke yet.

"Then gather a good supply of stuff which seems likely to suppress the fire without smothering it. Moss of a certain kind will do, but not the soft, feathery moss that grows so deep among the spruce trees. Half-decayed wood is good; spongy, moist, unpleasant stuff, a vegetable wet blanket. The bark of dead evergreen trees, hemlock, spruce, or balsam, is better still. Gather a plentiful store of it. But don't try to make a smoke yet.

"Let your fire burn a while longer; cheer it up a little. Get some clear, resolute, unquenchable coals aglow in the heart of it. Don't try to make a smoke yet.

"Now pile on your smouldering fuel. Fan it with your hat. Kneel down and blow it, and in ten minutes you will have a smoke that will make you wish you had never been born.

"That is the proper way to make a smudge. But the easiest way is to ask your guide to make it for you."—*Henry Van Dyke.*

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The meaning of clearness as the purpose of a speech—or of a piece of writing for that matter—should now be fairly plain. Any person who selects an explanatory subject with which he is familiar will have little difficulty in making that subject clear to others, provided he makes a mental outline beforehand and sticks to it, and trusts to the inspiration of the moment—just as he does in ordinary conversation—for natural and appropriate language.

FLUCTUATING prices, due to war conditions, test the various methods now in use for valuing property. In some instances the valuations have been materially affected, due to the abnormal conditions. Nevertheless, the need for standard methods of valuation at all times is recognized. Accountants, business men, trustees, and executives concerned with public utilities are constantly confronted with the problems of valuation. An able presentation of these problems, with suggestions as to their solution, is contained in a work, "Valuation, Depreciation and the Rate-Base," by Carl Ewald Grunsky (published by John Wiley & Sons, Inc., New York, price, \$4).

Decisions of courts and rulings of public-service commissions which favor making "present value" a starting point, when rates for public utilities are to be regulated, are criticized by the author. He questions the desirability of starting with "present value" or with "value" as a basis for rate determination, because "value is a result of earnings, and such values as are not covered by the investment do not exist until the earnings create them." He illustrates the point by citing the following example:

A large subdivision of acre-property is being developed adjacent to the built-up section of a community. Streets have been laid out and paved, sidewalks have been constructed, an adequate sewer system has been provided, and a system of water mains has been constructed. Immediate increase of revenue by reason of this expenditure is doubtful, because the development of the new subdivision may be slow. Years may elapse before sales of water will be equal to the added worth of maintenance, collection of rates, and depreciation. "Shall part of the system thus acquired be included in

the valuation on which the owner is to receive a return? Or shall such inclusion be deferred? And if deferred, for how long a time?" The waterwork's owner has not made the investment. The investment has been temporarily made by the owner of the subdivided tract, who is reimbursed by the purchaser of lots. The author then states: "In the fixing of rates the increase of capital due to the receipt of gifts and donations should generally be considered separately from the actually invested capital. Individual cases will arise requiring special treatment. The owner in most cases will not be entitled to as large a return on this donated capital as on his actual investment."

On page thirty, the writer gives the following concerning the rate-base: "The rate-base which is the most satisfactory is the actual, reasonable, and proper investment, or original cost new, including a proper allowance for the cost of establishing and developing the business, undiminished by depreciation, though in some cases, perhaps, diminished by the bonus which may have been contributed by the public or by the rate-payer."

Amplification of the suggestion of the author is found in the rest of the volume, contrasted with other methods in use. Information of value to others than those connected with the regulation of public utilities is also contained in the volume. Of interest to business men and accountants are the chapters on "Essentials of Value," "Elements Which Reduce Value," "Non-agreement Between Actual and Probable Life," "Notes on Real Estate Valuation," and "The Accounting System." In addition to concrete suggestions as to the valuation of business properties, there are tables which may be used for reference purposes.

The book covers a subject that has caused no little controversy among authors. Even though the reader may not agree with the conclusions that have been reached, there is no question but what a clearer and more comprehensive idea of "valuation" may be gained by reading this volume.

JOSEPH L. KELLY, a student of the Pace Standardized Courses, given under the auspices of the Drake Commercial School, Bayonne, N. J., has accepted a position in the accounting department of the Tabulating Machine Company. Mr. Kelly was formerly employed by the Standard Oil Company of New Jersey.

**Personal
Notes**

WALTER L. JORDAN, Pace Institute, Extension Division, has accepted a temporary position on the interviewing staff of the Pace Agency for Placements, Inc., during the summer season.

RAYMOND IVES, C.P.A., Pace Institute, New York, 1910, a partner of the Accountancy firm of Lovejoy, Mather & Hough, is a member of the Officers' Reserve Corps at Plattsburgh, N. Y.

ALLEN J. FRALEY, New York Institute of Accountancy, who was formerly employed in the commercial department of the Port Chester High School, has been engaged as accountant by the New Jersey Zinc Company.

CHARLES H. BENT has accepted, through the Pace Agency for Placements, Inc., a position as senior accountant on the staff of Searle & Nicholson, accountants. Mr. Bent has had considerable experience in accounting and executive fields in this country and abroad.

EDWIN C. BOSWORTH, Ph.B., has resigned his position as dean of the Detroit School of Accountancy, Detroit Technical Institute, to accept the position of resident manager of Pace Institute, Washington, D. C. Mr. Bosworth will be succeeded by William P. Dies, A.M.

JOHN K. HAMPTON, a student of the Pace Standardized Courses, given under the auspices of the Drake Commercial School, Bayonne, N. J., has recently resigned his position in August Mietz Corporation to accept a position in the accounting department of Nestlé's Food Company.

HIRAM K. GOTTSALL, Pace Institute, Washington, is a survivor of the Eddystone Ammunition Corporation's explosion. At the time of this disaster, Mr. Gottshall was working on an audit of the accounts for Barrow, Wade, Guthrie & Company. Through good fortune Mr. Gottshall was not injured.

DAVID P. KNOB, New York Institute of Accountancy, recently placed in the U. S. Marine Corps by the Pace Agency for Placements, Inc., has been transferred to the headquarters of the Paymaster's Department at Washington. Mr. Knob writes a letter wherein he states that he is now enjoying drill practice for an hour every day from 4.30 on, and is getting splendid training in the practical side of military duties.

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PHILIP J. GASS, Accountancy Institute of Brooklyn, has joined the U. S. Navy.

MAURICE MICHAEL, Accountancy Institute of Brooklyn, has joined the U. S. Marine Corps.

E. S. VAN BENSCHOTEN, Pace Institute, New York, and WALTER LINZEL, New York Institute of Accountancy, have joined the Officers' Reserve Corps, Fort Myer, Virginia.

WILLIAM F. SMAIL, formerly on the accounting staff of Haskins & Sells, has accepted an appointment on the staff of Sparrow, Harvey & Company, public accountants.

EDGAR D. MILLEN, who was formerly on the staff of L. H. Conant, C.P.A., has accepted a position on the staff of Sparrow, Harvey & Company, public accountants.

HENRY J. BORNHOFFT, Pace Institute, New York, has resigned as general manager of the Repetti Candy Company, to become resident director of Pace Institute, Boston, Mass.

PAUL L. APPLEMAN, Pace Institute, has accepted a position on the bookkeeping staff of the Motometer Company. Mr. Appleman was formerly employed by the General Electric Company.

HARRY T. ARMSTRONG, Pace Institute, formerly employed as cashier and bookkeeper for the Potter Transportation Company, has accepted the position of assistant auditor for J. W. Thorne & Company.

FRED J. WILSON, formerly on the staff of Edward R. Burt & Company, public accountants, has accepted, through the Pace Agency for Placements, Inc., a position on the accounting staff of Whittlesey, Myer & Wythes.

GIDEON J. PILLOW, LL.B., has been added to the law teaching staff of Pace Institute, Washington, D. C. Mr. Pillow is engaged in legal work for the Department of the Interior. He is a son of the late Confederate General, Gideon J. Pillow. Mr. Pillow is an able lecturer, his best-known lectures being "Story of the City of Washington," and "Abraham Lincoln and His Times."

A. LINCOLN LAVINE, Ju.D., instructor of Law in Pace Institute, has joined the Naval Reserve Corps.

RALPH H. WRIGHT, Newark School of Accountancy, has accepted an appointment as auditor on the staff of Arthur Young & Company, public accountants.

HAROLD H. KELLY, of the Providence Institute of Accountancy and Business Administration, has gone into active service with the Rhode Island Coast Artillery.

R. M. VAN FLEET, former educational director at Indianapolis, took charge of the educational work of the Hartford, Conn., Young Men's Christian Association on August 1st.

JOSEPH I. ZUCKER, Buffalo School of Accountancy, 1916, has recently accepted an accounting position with The Humphries Manufacturing Company, Mansfield, Ohio. Mr. Zucker is engaged in cost and other constructive phases of accounting work.

MISS LILLIAN HAUSER, of the Pace & Pace executive staff, acted as secretary of the class in War Emergency Clerical Service Training Course for Women. The class, which concluded its work June 29th, expressed their appreciation of Miss Hauser's services in the following style:

Why do we like Miss Hauser so?

The answer's very simple:
She wears a pleasant smile, you know,
And such a lovely dimple!

ANEW Pace Institute has been established in Chicago, Illinois. The classrooms of the Institute are located in the Consumers' Building, and the administrative offices at 621 Conway Building. Walter W. Schmauch, of the Chicago Bar, and Secretary of the Chicago Law School, is the resident manager and dean of the faculty.

The instructors in Accounting, Finance, and Business Administration are: C. R. Whitworth, A.C.A., C.P.A., Resident Manager, Touche, Niven & Co., Public Accountants; Joseph F. Sarley, LL.M., Practicing Accountant; G. S. West, A.S.A.A., Practicing Accountant; R. H. Ashdown, A.C.A., Practicing Accountant. The Law instructors are: Guy Van Schaick, J. D., Member of the Chicago Bar; John P. McKinley, LL.B., Member of the Chicago Bar; Otto S. Hansen, B.S., LL.B., Member of the Chicago Bar.

The achievements of Accountants

in war and their opportunities in peace are just beginning to be realized by the economic and industrial world. Organization, coördination and coöperation have transformed nations into integral fighting units. Every warring country may be likened to a vast pyramid. The Army and the Navy form the apex. Every industry and every individual have been made to fit into some supporting place in the structure. The outstanding lesson of the war is the lesson of coöperative effort and impact.

The Accountants—the men trained in the science of business organization and management—have been heavy sharers in the duties and responsibilities imposed by war. The Accountants have played a leading part in so organizing home and division bases of supply and distribution that the business of war has proceeded evenly and uninterruptedly. Official appreciation and merited publicity have been given far and wide to their patriotic achievements.

When peace comes, Accountants, because of the services of their profession in war, will be in greater demand than ever before. Problems of readjustment, reorganization, and expansion will be laid before them for constructive solution. Industrial and philanthropic enterprises of all kinds, the Federal Government, and the municipal and state governments will seek their aid and business judgment. Wherever men work together for a common goal, Accountants will find opportunity for service, for influence, and for high financial return.

Make ready now, in time of war, for productive service as an accountant to-morrow, in time of peace. Be ready to serve the needs of country and of industry, and your own best interests when opportunity comes—as it surely will. Study Accountancy and Business Administration during your spare hours, and in conjunction with your daily business tasks.

Investigate the Pace Standardized Courses in Accountancy and Business Administration. Afternoon and evening classes will soon be forming at each of the following five Pace Institutes: Hudson Terminal, New York; Tremont Temple, Boston; Equitable Building, Baltimore; 506 Real Estate Trust Building, Washington; Room 621 Conway Building, Chicago. The courses are also given in conjunction with certain business schools and the educational departments of various Y.M.C.A.'s throughout the country.

Send for descriptive Bulletin, "Accountancy and Business Administration." Ask also for "Your Market Value," a brochure which contains a vocational message for you.



PACE & PACE

Pace Standardized Courses in Accountancy, Business Administration, Oral Expression, and English,
in Residence and by Extension

NEW YORK BOSTON BALTIMORE WASHINGTON CHICAGO

Aesop
in Busi-
ness—
Wilbur

THERE was once a Young Accountant named Wilbur.

He was of the Modern Variety. He did not believe in Blushing Unseen. He deemed it Risky to hide his Light under a Bushel. He considered the Tongue something with which to disseminate Knowledge.

Wilbur had heard and heeded the Call for Better-trained young men in Commerce. He became a Completed Product of an Accountancy School. What He did not grasp about the Theory of Accounts was not worth indexing.

He had Far-sightedly stored away in his Mental Granary many Book-learned Theories. The Periphery of his Knowledge encircled such subjects as Office Systematization, the Elimination of Waste, Increase in Output, Net Profits, and the Human Factor. His Theories were ready for Immediate Delivery upon Slight Demand.

Wilbur had large Vocational Hopes. He Mirrored himself as be-

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coming a Highly paid Consultant on Efficiency Problems, hours ten to four, Limousine Waiting. He Foresaw the United States Steel Corporation as among his Satisfied Clients.

He made a Lowly but Blithesome Start toward his Sun-kissed Goal. He Consented to Affiliate himself with a firm of Practical Accountants. He did not purpose to Grow Grizzled in their Service. He sought Experience only. The firm referred to him as "Another Junior."

Wilbur was Directed to Help Out a certain Senior in making an Audit of a Tobacco Jobbing House. The Senior was not Overwhelmed by Wilbur's Knowledge. He viewed Wilbur as a Fetch-and-Carry Adjunct.

This Irked Wilbur. He did not Lament when the Senior hied himself to another concern needing a

Systematization Tonic. Left to himself, Wilbur found his Vest growing Tighter and his Hat Smaller. He had no Time for Geniality. He treated the General Manager as a Probable Defaulter. He proved the Office System to be of Antedeluvian Antiquity. He also noted Aloud much Managerial Remissness.

The General Manager's Nerves began to Tingle. He told the Accountancy Firm to Recall Wilbur from the Frontier and give him Desk Duty. The Firm took the Hint and gave Wilbur an Indefinite Leave of Absence Without Pay.

MORAL—A Close Tongue and a Humble Spirit are the Beginning of Success in Accountancy.

WILLIAM J. THRUDELSON, who was formerly on the accounting staff of Ernst & Ernst, has joined the staff of Arthur Young & Company, accountants.

Keep out of the ruts, but stay in the road.

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No. 11

ACCOUNTANTS AS COUNSELORS



CONTROL of values is a paramount necessity in our present war. Without such control, waste cannot be eliminated, production stimulated, or activities coördinated. In war, as in Business, there is but one medium for the control of values, and that medium is adequate, accurate, accounting records.

Accounting records are the eyes of Big Business. Without them Business is blind. They exhibit the past, show the present, and afford the best means of foreseeing the future. Facts disclosed by them furnish the foundation for directive, corrective, stimulative control. This is the kind of control which the men and women charged with the destinies of America must have and must get.

No longer do people associate accountants with copper-plate penmen or jugglers of figures. Accountants are the devisers and the planners of ways and means and methods. They are numbered among the counselors and the confidants of business men, of business organizations, and of governments striving to adopt the precepts of Business.

At this time and in their sphere, accountants must do their part. Chaos must give way to order. Only systematic, driving effectiveness will hasten victory. This effectiveness cannot be obtained save by adequate accounting records planned, instituted, operated, and verified by accountants.

FINANCING the war has led to many discussions as to the merits of a loan policy as against a taxation policy. The Federal Government has adopted the method of borrowing, combined with taxation.

This has led to criticism from two camps: one, favoring a "pay-as-you-go" policy; and the other, favoring a policy of borrowing all that is necessary for emergencies. Between these extremes, there is likewise criticism as to the relative amounts which should be raised by loan and the amounts which should be raised by taxation.

It is not our intention to comment on the several criticisms. Nevertheless, the reader may be interested in knowing the defects of a "loan-only" policy, and the defects of a "pay-as-you-go" policy. These are conveniently set forth in a pamphlet published by the National Bank of Commerce, in New York. A summary of the arguments presented respecting each policy, follows:

Two reasons are assigned for the impracticability of a "loan-only" policy. Unless taxation, at least adequate to pay interest on new loans, is levied, the credit of the Government is impaired. Borrowing would be at progressively higher rates of interest, and in time it would be difficult at any rate of interest. Continuous borrowing during a protracted war necessitates credit maintenance, which must be supported by liberal taxation. The second argument against the "loan-only" policy is that of putting off the evil day. Debts must be met in time, and the only source by which they can be met is taxation. Wars are likely to occur, or other emergencies arise, in sequence. A "loan-only" policy for an initial emergency taxes the reserve financial strength of a nation, thereby weakening it for future emergencies.

Likewise, there are arguments against a "pay-as-you-go" policy. These arguments apply even in times of peace; that is, extraordinary expenditures should not be met exclusively by current taxation. Such a policy would place a crushing burden upon tax-payers in the year in which the taxation was imposed, the benefits of which would accrue largely to future generations. Furthermore, so far as improvements are concerned, tax-payers would bitterly oppose making them if the entire outlay is to be met by current taxation.

War expenditures should, if possible, be met by the present generation. This does not imply that the expenditures should be levied only during the years of the war. If levied year by year during the war, the gigantic sums necessary would require more than the total surplus of the income of the community.

Furthermore, excessive taxes at the outset of the war are undesirable; if on consumption, they cause popular resentment; if on industry, they disarrange business, dampen enthusiasm, and restrict enterprise; if on incomes, they deplete the surplus available for investment.

The above presents the main arguments, pro and con, as to the two methods of finance in case of governmental emergencies. The sensible course, no doubt, lies between the two extremes—a course that our Government, fortunately, is now following.

RECENTLY, some fifteen printers bid on a large contract. All of the bids were based on the same specifications, which set forth in detail, quality, quantity, and kind of paper and of work required. When the bids were opened, it was found that there was as much as one hundred per cent. divergence in the prices.

Practical printers stated emphatically that the lower bids could not be carried out except at a loss. The tremendous difference in prices was due to the fact that some of the printers did not know their exact costs. As a consequence, no one gained that which was the object of the bid—the obtaining of a profitable contract. Those who were awarded the contract lost money in doing the work. Those who might have done the work at a reasonable profit lost the business.

This is one of the many illustrations which emphasize that the man who fails to install an adequate cost system injures not only himself but others. The public does not benefit, because losses in one direction must be made up in other directions. Nor is it beneficial upon broad principles of economics, in that failures and bankruptcies arising from improper systems cause tremendous economic waste.

Efficiency in one establishment helps the other establishments. Competition, then, is based strictly upon merit. Those who lose in the bidding know that the loss is due mostly to the production cost upon which the bidding was based, and are spurred to renewed efforts to reduce costs and eliminate waste. Both the public and the producer share in the resultant saving.

WILLIAM A. STUART, Pace Institute, is now a member of the Army Aviation Corps, Princeton, New Jersey. Mr. Stuart writes as follows regarding his educational qualifications for membership in this corps:

"It pleases me to be able to say that my study with you was accepted by the examining Board as being the equivalent of a college education, thus admitting me to the aero corps."

J. B. Niven, C.P.A. IF you believe in heredity and the directing influence of early environment, you at once hit upon one of the reasons for J. B. Niven's high standing as an accountant. Mr. Niven's father, A. T. Niven, C.A., now eighty-seven years old, has been a professional accountant for over sixty years, and is still in active practice in his native city of Edinburgh, Scotland, "walking back and forth from his office every day." Mr. Niven, senior, is the only surviving signer of the Edinburgh charter, which was the first charter granted by a government to accountants—a charter which raised their work to the rank and dignity of a recognized profession.

"When I was a lad," said Mr. Niven, the son, during a pleasant luncheon a few days ago, "accounting problems and principles were talked over very freely at home as well as at the office; and I suppose I naturally absorbed the purpose of becoming an accountant myself when I grew up. Besides, I liked the work of the accountant—or believed I should like it; and so I never seriously thought of becoming anything else. I can truthfully say, now at the age of forty-six and after a pretty wide experience as an accountant, that I certainly do not regret the choice of my profession. The work has always been fascinating to me, and more so to-day than ever before, because I think I foresee an increasingly wide recognition of the usefulness of accountants."

J. B. Niven was born on September 22, 1871, at Edinburgh, Scotland. He was educated at George Watson's College, Edinburgh, and in the law department of Edinburgh University. In 1897, after several years of accounting experience under his father, he came to America, where he joined the accounting staff of Price, Waterhouse & Company, being connected with their Chicago office.

In 1900, Mr. Niven formed a partnership with George A. Touche, of London, who was recently knighted by the British Government. The firm name in the United States became Touche, Niven & Company—a name which to-day, after seventeen years of existence, stands for wide success and the highest probity in the professional practice of Accountancy.

Touche, Niven & Company have four offices in the United States, each under a resident manager: one in New York, one in Chicago, one in St. Louis, and one in Minneapolis. Through its affiliations with George

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A. Touche & Company, of London, it covers London and several important Canadian cities. It also covers Buenos Aires through its connection with Touche, Fuller & Company.

Mr. Niven has the following professional degrees: C.A. (Edinburgh); C.A. (Ontario); C.P.A. (New York); and C.P.A. (New Jersey). He is also an Associate of the American Actuarial Society. Mr. Niven is a member of the Council of the American Institute of Accountants. He is president of the New Jersey



J. B. Niven, C.P.A.

Touche, Niven & Company
Public Accountants

Board of Public Accountants, and ex-president of the New Jersey Society of Certified Public Accountants. He has long been a member of the New York State Society of Certified Public Accountants, and he is also a member of various other state societies.

Mr. Niven has no doubts about the alluring future of Accountancy as a profession in America. "My own professional experience," said Mr. Niven, "has covered a period in which Accountancy has developed from a specialized kind of work, regarded as necessary by only a few business enterprises, to the rank of a highly esteemed profession, whose scope of usefulness comprises the entire field of Business. When I think of how Accountancy has de-

veloped during the past ten years, I feel safe in saying that in the next ten years there will be even more wonderful opportunities for the men who are properly trained. Accountancy as a profession has won acceptance and acquired momentum, and these facts will tell in the expansion of the Accountancy field in the years that lie ahead.

"Besides all this," continued Mr. Niven, "the man who knows accounts theoretically and from practical experience will have many chances to leave the practice of Accountancy. Take the case of our own firm—and it is typical of the experience of other firms. From time to time our men receive attractive offers from our clients or others, and these offers are frequently accepted, despite the advantages of continuing in professional practice. Progressive concerns seem to be more and more on the lookout for men trained in Accountancy. The young man who masters Accountancy, therefore, has two strings to his bow—a very great advantage."

"What do you consider to be the quality that the average young man needs to cultivate most?" I asked Mr. Niven.

"Vision," replied Mr. Niven promptly, "the ability to look ahead calmly and patiently. Many young men are too anxious for success. They become impatient and restless. They fail to realize that, as a general rule, success is a thing of slow growth; that it must be based on proved character and experience; and that relatively insignificant duties to-day may offer more in respect to opportunities for advancement than a better-paid position with little or no future.

"Vision, of course, is the result of many things," continued Mr. Niven. "It comes partly from experience, partly from study and reflection, and partly from innate traits of mind and temperament. Study is open to us all, however we may be situated, and it will do as much, or perhaps more, to develop vision than almost anything else. The man who expects to get ahead in Accountancy or in any aspect of Business needs to be a student to-day. He must know all about the work that he is doing—that is taken for granted. But he must know vastly more than that—he must know the scope, the principles, and the theory of accounts; he must know the principles of law, of economics, of finance; he must understand the science of management and of organization. If he gets into the habit of thinking about these matters, he will

Who's Who

Biographical Sketches of Men of Affairs

John T.
Kennedy,
LL.B.



EUROPEAN countries at the beginning of the present war found it imperatively necessary to extend certain privileges to debtors. These privileges consisted in permitting postponement of payments and in postponing certain legal remedies which creditors might have against the debtor. Economic readjustments arising out of the change from a state of peace to one of war were responsible for this legislation.

War
Privileges
to
Debtors

Charles Henry Huberich, international lawyer, in the *New York Times Magazine*, July 15, 1917, points out that at least one class of persons in the United States deserves like consideration at the hands of the Government. They are those who become members of the military or naval forces of the United States by volunteering or under selective draft. He puts the case of these persons in the form of the following questions:

"Shall a person engaged in the active military service of the country be subject to having judgment rendered against him, to having his property attached and sold on execution for non-fulfilment of obligations which, perhaps, but for his absence in the cause of his country he would have been fully able to perform? Should he be obliged to watch over the details of a lawsuit when, by reason of enforced absence, he is without the opportunity of consulting with his attorney and unable to make an adequate defense to the claims of the adverse party? Shall his creditors have the right to have him declared bankrupt? Shall his property be sold for non-payment of taxes due to the state, for the preservation of whose ideals or for whose very existence he is risking everything?"

During the Civil War several of the states provided for suspension of legal proceedings in the case of debtors in military service. In the opinion of Dr. Huberich, these measures were not sufficient to alleviate all the burdens imposed upon those in military service.

Dr. Huberich points out that all the principal European belligerents on both sides have made provision for special protection of persons in military service. Immediate action by state legislatures and by Congress is advocated to enact like laws. This is a timely suggestion, and one which will appeal to every patriotic American.

been issued by the Guaranty Trust Company, of New York. The following is based upon the excellent summary of the Act contained in

that pamphlet:

Under this law certain specified investments may be exempted from the personal property tax by paying the tax prescribed. To do this, the investment is taken or sent to the Controller. The tax is paid at the rate of 20 cents a year on each \$100, and the Controller attaches to the papers evidencing the investment stamps representing the amount paid. The tax may be paid for as many years as desired, not to exceed five years. During this period of years the investment is exempt from the personal property tax.

For the purpose of the Act, an investment includes any bond, note, or debenture, equipment bond or note, or written or printed obligation forming part of a series of similar bonds, notes, or debentures, written or printed obligations which are payable one year or more from the time of issue and which may be secured or unsecured, except—

"(a) Bonds of New York state or any civil division thereof.

"(b) Obligations secured by a deed of trust or mortgage on real property situated wholly within the state of New York.

"(c) Obligations held as collateral to secure the payment of investments taxable under this article, or bonds taxable under the mortgage tax law.

"(d) Such proportion of the obligation secured by deed of trust or mortgage on property or properties situated partly within and partly without the state of New York, as the value of the mortgaged property or properties situated within the state of New York bears to the value of the entire mortgaged property or properties. (Sec. 330.)

"This definition includes, as bonds which are exemptible, public bonds of states other than New York, and obligations of foreign countries and their political subdivisions. Ordinary promissory notes can not be made exempt."

Under the personal property law of New York, persons may deduct from the assessed value of the personal property their just debts. The amount of these debts, however, may not be deducted from the amount to be taxed on investments under the investment tax law, if the investment is held permanently. If, however, the investment is held temporarily for purposes of sale, by a person who is actually engaged in the purchase and sale of securities as a business, and who maintains an office or place of business in the state for that purpose, then the amount of just debts may be deducted in computing the tax.

Invest-
ment
Tax
Law

ONE of the recent New York statutes of interest to business men is the investment tax law of June 1, 1917. This is in effect a reenactment of the secured-debts law. A pamphlet explaining the law and containing the statute has

BLUE SKY laws are designed to protect the public from the sale of doubtful securities. The first of these laws was passed in Kansas in 1910. Since then they have been adopted, with few changes, in about thirty other states. An impartial presentation of the effect of these laws is set forth by H. D. Robbins, in *The Bankers' Monthly*, August, 1917.

Mr. Robbins takes as the typical Blue Sky law that of Kansas. Under the Kansas law the sale of stocks, bonds, or other securities, with but few exceptions, may not be made until both the seller and the security have been examined and approved by the State Bank Commissioner. This official must be furnished the fullest information. Filing fees are required, and heavy penalties are imposed for violating the act. Moreover, the Commissioner may at any time make a detailed examination of the investment company's affairs at that company's expense. "Sales are permitted only after the Commissioner finds that the company is solvent, that its articles of incorporation or association, its constitution and by-laws, its proposed plan of business, and its proposed contract with the investor provide for a fair, just, and equitable plan for the transaction of the business, and, in the Commissioner's judgment, a fair return on the securities offered for sale."

Beyond question many swindlers have been prevented from defrauding the public. During the first eighteen months that the law was in effect in Kansas, less than 100 of the 1,500 companies applying for permission to do business received the required approval.

Nevertheless, there are numerous defects in the present Blue Sky laws. Legitimate investment dealers are subjected to many burdensome requirements, and investment bankers in general desire changes which will absolve dealers of established reputation from the rigid requirements designed to prevent frauds in undesirable securities. The Investment Bankers' Association has proposed a uniform Blue Sky law for the several states. This law would be capable of enforcement, incapable of evasion, contain all the preventive features of the present acts, and eliminate unnecessary investigative burdens.

To the writer, it would seem that considerable regulation might be simplified if the services of certified public accountants were more generally utilized. Instead of direct investigations by state authorities, accountants might make the investigations. Legitimate business undertakings ordinarily employ accountants to open the books and ascertain the initial financial condition. Certification by these accountants as to reliability could be accepted by the state authorities. The

high integrity which has characterized the accounting profession justifies the conclusion that this responsibility would not be abused. Aside

from this, the lessening of the burdens caused by regulation would be of tremendous benefit to legitimate business concerns.

THE war has called thousands of American youths from the colleges and higher institutions of learning. Fortunately, most of them have been from the upper classes and so can be of almost immediate service, as their education is practically complete. There is a grave danger, however, that a great many younger students, who should have many years of school work ahead of them, will take their cue from their elders and drop the note-book and the pen for the gun and the bayonet. Naturally, to the youthful mind the appeal of the bayonet is much stronger than that of the pen, but these young people should not forget that it will undoubtedly be better for them to render their service, at least for a time, in the classroom instead of in the trench. At the outbreak of the war, France and England rushed every available man to the front regardless of previous education and training. Now they are realizing their mistake in allowing schooling to be curtailed.

P. P. Claxton, United States Commissioner of Education, urges all pupils to continue in school next fall. He says: "If the war should be long, the country will need all the trained men and women it can get—many more than it now has. There will be men in abundance to fight in the trenches, but there will be a dearth of officers, engineers, men of scientific knowledge and skill in all the industries, in transportation, and in many other places where skill and daring are just as necessary for success as in the trenches.

The need for trained men and women will by no means cease when peace is declared. Not alone will there be a great and urgent need in our own country, but we must not forget that we shall have to aid in filling the gaps in Europe.

"America must come to the rescue. We must be ready to assume all the responsibilities and perform thoroughly and well all the duties that will come to us in the new and more closely related world which will rise out of the ruins of the Old World which is now passing away in the destruction of the war. To what extent and how well we may be able to do this will depend upon you young men and women who are this year graduating from our high schools, and upon those who will follow in the next few years, to a larger degree than upon any other like number of people."

*Staying in
School*

THE X Corporation owes B, a laborer, the sum of \$50 for labor performed for the corporation. B sues the corporation and recovers judgment, but fails to collect his money. He brings suit to recover his claim against T, a stockholder in the X Corporation, who owns ten shares. What is T's liability under the New York statute?

- A. T is liable for the full amount of B's claim, regardless of the number of shares of stock T owns. In New York state, B must serve written notice on T within thirty days after the termination of his services for the corporation, that he intends to hold T; and within thirty days after the return of an execution unsatisfied against the corporation, upon a judgment recovered against it for services, B must bring suit against T.

In many states, statutes have been passed imposing liability of stockholders for wages due laborers. Whenever the words "jointly and severally liable" are used, each stockholder may be held liable for the whole amount of the claim of the laborer.

- Q. What is the distinction between interest in the business and interest in the profits?

- A. Interest in the business may mean either (a) the right the partner or proprietor may have in the capital owned by the business, plus the right to share in the profits; or (b) his right in the profits of the business, assuming he has no share in the capital.

The condition of a proprietor with rights in the capital and the profits is the more frequent. The other condition, that of no right in the capital owned, but only in the profits earned, is not unusual.

Interest in the profits means the right which a proprietor has in the profits alone. It does not include a right in the capital owned by the business.

- Q. From what fund are dividends declared to policy-holders of a stock insurance company?

- A. Dividends to policy-holders of a stock insurance company are paid from earnings, just as dividends are paid to stock holders from earnings.

There is in insurance what is known as "net premium" and what is known as "gross premium." The "net annual premium" is the amount required to be paid annually, in advance, at any stated age, which, together with corresponding premiums on other lives insured, with interest at an assumed rate, will precisely meet all claims under the policy as they occur, assuming that these claims occur at the times when they should theoretically occur in accordance

with the mortality table selected.

Thus, the first computation is to determine an amount to be paid, annually, which will meet the claims

of all insured persons who insure at a given age. Inasmuch as insurance companies invest their funds, this amount would be reduced by interest earned. For this purpose an interest return is assumed.

Of course, the actual interest earned may be greater or less than the interest rate assumed. The tendency of a company would be to assume the minimum rather than the maximum rate of interest.

"Gross premium" is net annual premium plus an amount added to cover expenses of conducting the business and to provide for contingencies, such as adverse fluctuations in the rate of interest, mortality, etc. This addition is called "loading."

If the mortality is less than the expected mortality, as shown in the mortality table used in the premium calculation, or, if the interest earned is higher than the rate used in computing the premium, or, if the expenses are less than provided for by the loading—the cost of the insurance is less than was estimated. This difference between actual cost and estimated cost constitutes earnings, out of which certain dividends may be paid to policy-holders.

Thus, from a theoretical point of view, a dividend paid to the policy-holders is a refund of all or a part of the premium which is not required for the risk at the given date.

There are, of course, insurance companies running on a profit basis. Sometimes this profit is limited, for instance, to, say, seven per cent. of the capital stock. Should this be the case, earnings above the seven per cent. would, sooner or later, be available for policy-holders. The effect of this is felt by other companies than those which can distribute only a limited part of their profits to stockholders, in that they must extend to applicants for insurance inducements practically equivalent to those extended by the companies whose profits are limited. Hence, the dividend practice is rather general among insurance companies.

Many concerns are making donations to the Red Cross and other similar organizations. Should such donations be deducted as business expenses in making tax returns?

Treasury Decision 2090 rules that donations are not properly deductible from gross income in determining net income, unless there is a consideration moving in some form to the corporation either directly or indirectly. Answer to your question would involve the consideration as to

whether or not the Red Cross dona-
tions results in such consideration.
No direct ruling on this specific
donation has been made up to the
date of this writing. Decisions have been made
respecting the following:

(Continued) A donation to a hospital, in return for which
the hospital rendered medical service to employ-
ees, held deductible.

A donation to an agricultural fair, having for
its purpose the obtaining and preserving of the
good-will of farmers, held not deductible.

Pensions for retirement of employees or for
payment of sums to injured employees, held
deductible.

Continuation of the salary of a deceased em-
ployee to the widow, for a specified period of
time, held not deductible.

On the basis of these rulings, it would seem
that the donation to the Red Cross is not de-
ductible. Benefit of a vague, intangible nature
apparently does not constitute sufficient consid-
eration to take the donation out of a non-
deductible class. From the rulings it is apparent
that there must be definite material benefit re-
ceived in return for the donation, which would
hardly be true of a donation to the Red Cross.

Q. A concern markets its own products, except
a small percentage which is sold and billed to
agents, less commission allowed them. In making
ing statements of the business, should such com-
mission be deducted in showing gross sales for a
period, or should it be stated as a trading ex-
pense, all sales being stated at regular market
prices?

A. From a strictly legal view-point, the relation
created between the concern and the "agents"
is that of debtor and creditor, assuming as you
say that the goods were "sold" to the agents
(see article in "Law Department," The Pace
Student, September, 1916). Hence, as to this
transaction, the resultant legal relation is the
same as in ordinary sales.

In statements it is preferable to show the com-
mission as an expense, ordinarily in the selling
expense section of the statement. Since only a
small part of the goods are sold on commission,
it would hardly be worth while to show, sepa-
rately, the results of these sales from the results
of sales made in the usual way. The commission
allowed is not an adjustment of selling-price, but
an amount allowed to these persons, probably for
the reason that they undertake to do a marketing
function on behalf of the concern. Should they
not undertake this, the cost of the marketing of
the goods would devolve on the concern and
would be included as part of the selling expense.

For this reason the commission
should be considered as a selling
expense.

Of course, if the title to the goods
remains in the concern and the shipment is on
a consignment basis, then a different treatment
would be made, in that the amounts forwarded
to the agents would not be sales until the agent
in turn had sold them.

A retail wood and lumber firm purchases a lot Q.
of wood and lumber to be worked. Would it be
proper to charge it under "Wood and Timber
Lots," at the purchase price, and, when the lot is
stripped, make an entry to close it out propor-
tionately to the different divisions of the mer-
chandise account, and the value of the stripped
land to "Real Estate," as follows:

WOOD AND TIMBER LOTS.....	\$700
To CASH.....	\$700
WOOD	200
LUMBER	400
REAL ESTATE.....	100
To WOOD AND TIMBER LOTS	700

Or would you advise a direct charge of \$600 to
"Merchandise," and \$100 to "Real Estate"?

Assuming that the fee in the land is taken at A.
the time of purchase, the correct entry at the
time of purchase would be—

REAL ESTATE.....	xx
STANDING TIMBER (Stumpage Rights)	xx
To CASH, or ACCOUNTS PAY- ABLE	xx

At the end of the accounting period, such por-
tion of the estimated cost-value of the timber cut
should be charged off against operations; charge
"Wood and Lumber" and credit the asset account
to which was charged the cost of the standing
timber at the time of purchase. The entry is as
follows:

WOOD	xx
LUMBER	xx
To STANDING TIMBER (Stump- age Rights)	xx

This procedure does not differ materially from
the one suggested by you, except that the division
of the cost between Real Estate and Stumpage
Rights is made at the time of purchase, instead
of after the land has been stripped. It may not
be practicable, or possible, to segregate the pro-
portion of the cost of "Stumpage Rights" charge-
able to "Wood and Lumber." In that event, the
two accounts may be combined into one account,
as "Wood and Lumber."



EDUCATION is a great peacemaker. This is a fact that business houses are rapidly learning. One of the most recent educational campaigns is the campaign which has been conducted by the Amer-

Educa- tion a Peace-maker

ican Sugar Refining Company. This company has a large claim department. Disputes as to weights of sugar sold have been frequent. Recent experiments were conducted which showed that a barrel of sugar transported across a single city on a day when the weather was very moist would increase in weight four pounds. Likewise, with new sugar, a barrel transported across the city on a dry day would decrease in weight two pounds. It was found that this was true of empty barrels—that an empty barrel during a trip across the city would vary as much as two pounds in weight.

After these experiments, the facts were brought before the purchasers of sugar. Many misunderstandings on account of differences in weight were eliminated. As a consequence, there was saved in the claim department of the company an estimated cost of \$10,000 a year. This amount represented, not the amount of claims that were not paid, but the saving in the expenses incident to the settlement and adjustment of claims.

Understanding is the great lubricant in business. Education conduces to understanding. Every force which tends to raise the standard of knowledge as to business problems saves the wastes incident to business controversies.

Waiving Clerkship Requirements
YOUNG men studying Accountancy who are now doing patriotic service deserve special consideration. Many of these young men, in military or other Governmental service, have given up, or deferred undertaking, the prescribed clerkships for the C.P.A. degree. It will be a hardship to compel them to start, or to finish clerkships begun, when they return to civil employment.

The alleged benefits of clerkships to young men are not unanimously conceded. Many thoughtful accountants have favored the repeal of the

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clerkship requirement. Whatever the merits of the case, it is certain that clerkships are not indispensable to professional training. Nor is it

unlikely that those young men in Government employ as accountants may obtain an experience equal in value to that ordinarily secured in a practicing accountant's office.

At this time, if at no other, there is ample justification for waiving clerkship requirements in the case of these young men. The pay of Accountancy clerks is not small. However, many are earning less than they would in other employment. They are now making a sacrifice in the spirit of patriotism. In a like spirit, state legislatures and Accountancy boards should meet them half way and excuse them from clerkships which necessitate sacrifices in their preliminary professional training.

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HE took a chance and got away with it," said an unthinking friend of mine last week, apropos of a certain young fellow of our acquaintance who, a year ago, was elected treasurer of a semi-defunct jobbing concern, and who was this year reelected at a handsome increase in salary. Yes, he "took a chance," for the concern had fallen upon evil days, and it seemed only a question of weeks before a receiver would be winding up its affairs. And he "got away with it," because, by dint of day-in and night-in determination and aggressive managerial initiative, he

Taking a Chance

hauled the concern back from its downward slide and soon had it showing a profit.

Unlike my friend, I do not dismiss that young fellow's achievement airily. I think I see something fundamental in what he has done—something that has a bearing upon the view-point and lives of those cravens to whom tenure of position means more than the opportunity to plan and complete a piece of work that needs to be done. Failure is always possible; often it is near at hand—it matters not what we do. The only persons that failure annoys—the possibility of failure, rather—are the weaklings, the cowards. The courageous man, the ambitious man, the man with vision, after taking favorable stock of his knowledge and his training, will "take a chance." All honor to him—he "gets away with it" because he deserves to succeed.

Thank You! "THANK You!" These are every-day words, but magic words, too. We work together, plan together, talk together; which means

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that I serve you and you serve me. When I say "Thank You," you feel that the service, no matter how trivial, was doubly worth rendering; and when you say "Thank You," the spirit of friendliness glows within you. "Thank You," makes good will, smooths out the wrinkles of misunderstanding, and promotes sales. Let us say "Thank You," when people do things for us. The habit will bring satisfaction to them and to us.

Second Wind

THIS is the time in the school year which tests the stamina of students. It is somewhat like the effort of an athlete on a long pull. Immediately before he gets his second wind he undergoes the greatest physical strain. But let him get over the period of the physical strain and the second wind comes to carry him through.

After the initial enthusiasm, there is a reaction. You begin to feel the pull. If you have had like experience before, you realize that this feeling is only temporary. You expect and know that in a short time the second wind will come, and with it the rhythmic, steady persistency which reaches the goal.

Two Ways of Thinking

COMMON sense enjoins us to *think* about what we do and how we do it. The development of our power to think means the development of our power to grow, to serve, to earn, to achieve happiness. There are two kinds of thinking—static and dynamic. Static thinking is the thinking that we do without making use of it. It is also the thinking done for us by others—the thinking which gives us conclusions already molded, and which we accept often as our own thinking. Dynamic thinking is the kind that we direct at the attainment of some definite goal of action. It is the kind of thinking that makes a headache enjoyable. Static thinking has its place in our intellectual life, but dynamic thinking is the kind that transmutes hopes and ideals into facts and realities.

Longevity

EVERY minute you spend in the East means an hour less in your life," says a visitor from California. At that rate an Easterner dies before he is born. Long life is characteristic of California. Even the trees out there live long. The rings of redwoods, which have been cut down, have verified the periods of drought and plenty mentioned in the Bible. Man has no hope of living as long as do some trees and some of the animals. But man can accomplish more in the time that he does live. Some

men will spend no little money, no little time, and no little effort in endeavoring to live long. After it all, like a famous writer on longevity,

they may find that they die comparatively young. It is decidedly more worth while to forget the length of life, to do the thing before you, and to make something out of life.

ELIHU ROOT went to Russia on a difficult mission at the age of seventy. This is another of many challenges to the Osler theory. If Elihu Root had been the star pitcher of his time, his usefulness would probably have terminated many years since; likewise, if he had been a football player or a manual laborer. Your college professor may not earn as much as a prize fighter, but the chances are that he earns more in the long run and gets more out of what he does earn. Physical capacity is subject to the law of decreasing returns. Mental capacity means increasing returns. The best preparation for old age is to get into work which requires the use of brains.

Physical and Mental Capacity

THE ostrich type of office manager—the kind that sticks his head in the sand and refuses to look at what alarms him, with or without reason—is not extinct, woe betide us! The other day one of these survivors of a past age of thinking (apologies to the word *thinking*!) said to me: "I don't believe in all this study stuff. It makes a man dissatisfied with his job. We have lost several of our employees for this very reason. There aren't enough big jobs to go round; so why not let well enough alone?" In this pronouncement, this man sets his two-by-four vision and judgment up against the vision and judgment of men like Frank A. Vanderlip, Theodore N. Vail, and hundreds of others of their kind! Funny, isn't it?

One Kind of Executive

IHAVE a friend of many years' standing whose personal letters (friendly letters, the text-book calls them) always irritate me. They are friendly and exceedingly interesting in the main, but they always contain a few inapt references to some of his personal problems and perplexities. Here is one sentence from a letter of his that came in this morning: "Thanks for the invitation to visit you, but I have a \$500 note to meet very soon, and I can't afford the trip to New York just now." Now, why did he say that—make reference to the note, I mean? He doesn't expect me to pay it, yet he lugs it into his chatty letter and spoils its flavor thereby. If you are setting out to write a letter that is really friendly, keep your troubles out of it.

Cheerful Letters

Partnership Dissolution Entries

Elmer O.
Stevens,
C.P.A.



FAILURE of a managing partner to keep an account of receipts and payments of partnership moneys separate from his personal cash transactions sometimes produces disastrous results. An example of the effects of such failure is shown in the solution to a problem taken from the examination given to applicants for membership in the American Institute of Accounts. The problem follows:

A, B, and C formed a partnership. A agreed to furnish \$10,000, B and C each \$7,000. A was to manage the business and receive one-half of the profits; B and C were each to receive one-fourth. A supplied merchandise worth \$8,500, but no additional cash. B turned over to A, as managing partner, \$9,000 cash, and C turned over \$5,500. The business was conducted by A for some time, but without keeping exact books. While managing the business, A purchased additional merchandise amounting altogether to \$75,000 and made sales of \$100,000. The cash received and paid out for the partnership was not kept separate from A's personal cash. In order to straighten out matters, B took over the management. He found receivables amounting to \$20,000, and of these he collected \$4,500. The merchandise still on hand he sold for \$500. These receipts he deposited in a bank to the credit of the firm. The remaining accounts proved worthless. The outstanding accounts payable amounted to \$2,000, of which \$1,500 had been incurred in purchasing merchandise and \$500 for expenses. These accounts he paid. A presented vouchers showing that during his management he had paid other expenses of \$2,400. By mutual agreement B was held to be entitled to \$100 on account of interest on excess capital contributed, and A and C were to be charged \$75 each for shortage in contribution of capital.

(a) Prepare Trading and Profit and Loss Accounts and accounts of each of the partners, indicating the final adjustments to be made in closing up the partnership. (b) Show how the above final adjustment would be modified if A proved to have no assets or liabilities outside the partnership.

In order to obtain the figures necessary to prepare the required accounts, summary entries were first prepared. Entries covering the transactions of A are as follows:

SOLUTION TO PROPOSITION

MERCHANDISE	\$ 8,500.00	
To A, CAPITAL		\$ 8,500.00
For capital contribution of A.		

CASH	\$ 9,000.00	
To B, CAPITAL		\$ 9,000.00
For capital contribution of B.		
CASH	5,500.00	
To C, CAPITAL		5,500.00
For capital contribution of C.		
MERCHANDISE	75,000.00	
To ACCOUNTS PAYABLE		75,000.00
Purchases by A.		
ACCOUNTS RECEIVABLE ..	100,000.00	
To SALES		100,000.00
Sales made by A.		
A, MANAGER'S ACCOUNT..	80,000.00	
To ACCOUNTS RECEIVABLE		80,000.00
For Accounts collected by A.		
ACCOUNTS PAYABLE	73,500.00	
To A, MANAGER'S ACCOUNT		73,500.00
Liabilities settled by A.		
EXPENSE	500.00	
To ACCOUNTS PAYABLE		500.00
Liability incurred by A.		
A, MANAGER'S ACCOUNT..	14,500.00	
To CASH		14,500.00
For capital contributed by B and C in cash which was turned over to A.		

The transactions of B and the final adjustments and closing entries are recorded in the next group of entries.

CASH	\$ 4,500.00	
To ACCOUNTS RECEIVABLE		\$ 4,500.00
Accounts Collected by B.		
CASH	500.00	
To SALES		500.00
Balance of merchandise on hand sold by B.		
ACCOUNTS PAYABLE	2,000.00	
To CASH		2,000.00
Obligations paid by B.		
EXPENSE	2,400.00	
To A, MANAGER'S ACCOUNT		2,400.00
For vouchers presented by A covering expenses paid by him.		
TRADING ACCOUNT	83,500.00	
To MERCHANDISE		83,500.00
Transfer.		
SALES	100,500.00	
To TRADING ACCOUNT		100,500.00
Transfer.		
TRADING ACCOUNT	17,000.00	
To PROFIT AND LOSS		17,000.00
For transfer of gross profit.		
PROFIT AND LOSS	2,900.00	
To EXPENSE		2,900.00
Transfer.		

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<i>Partnership Dissolution Entries</i>	PROFIT AND LOSS.....\$ 15,500.00			A, CAPITAL.....\$ 18,600.00	
	To ACCOUNTS RECEIVABLE.....	\$ 15,500.00		To A, MANAGER'S ACCOUNT.....	\$ 18,600.00
	To write off worthless accounts.			Transfer.	
(Continued)	PROFIT AND LOSS.....	100.00		A, CAPITAL (50 per cent.)....	675.00
	To B, CAPITAL.....		100.00	B, CAPITAL (25 per cent.)....	337.50
	Interest on excess capital contributed.			C, CAPITAL (25 per cent.)....	337.50
				To PROFIT AND LOSS.....	1,350.00
				Distribution of Loss in accordance with partnership agreement to divide profits.	
	A, CAPITAL.....	75.00			
	To PROFIT AND LOSS.....		75.00		
	Interest on shortage in contribution of Capital.				
	C, CAPITAL.....	75.00			
	To PROFIT AND LOSS.....		75.00		
	Interest on shortage in contribution of capital.				

From the foregoing entries were obtained the figures necessary to the preparation of Trading and Profit and Loss Accounts and accounts of each of the partners. These accounts are shown next.

Accounts Required in Solution

TRADING ACCOUNT

To Merchandise.....\$ 83,500.00	By Sales.....\$100,500.00
" Profit and Loss (Gross Profit)..... 17,000.00	
<u>\$100,500.00</u>	<u>\$100,500.00</u>

PROFIT AND LOSS

To Expense.....\$ 2,900.00	By Trading Account (Gross Profit).....\$ 17,000.00
" Accounts Receivable (worthless accounts charged off)..... 15,500.00	" Balance (Net Loss) carried down.... 1,400.00
<u>\$ 18,400.00</u>	<u>\$ 18,400.00</u>
To Balance (Net Loss) brought down...\$ 1,400.00	
" B, interest (on excess capital)..... 100.00	
<u>\$ 1,500.00</u>	<u>\$ 1,500.00</u>
	By A, interest (on capital shortage).....\$ 75.00
	" C, interest (on capital shortage) 75.00
	" A, (50 per cent. of loss)..... 675.00
	" B, (25 per cent. of loss)..... 337.50
	" C, (25 per cent. of loss)..... 337.50
	<u>\$ 1,500.00</u>

A, MANAGER'S ACCOUNT

To Accounts Receivable.....\$ 80,000.00	By Accounts Payable.....\$ 73,500.00
" Cash contributed by B..... 9,000.00	" Expenses (covered by vouchers presented)..... 2,400.00
" Cash contributed by C..... 5,500.00	" Balance (transferred to A's capital Account)..... 18,600.00
<u>\$ 94,500.00</u>	<u>\$ 94,500.00</u>

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Accounts Required in Solution—Continued

A, CAPITAL

<i>Partner- ship Disso- lution Entries</i>	To Balance transferred from A, Mana- ger's Account 18,600.00 " Interest (on capital shortage)..... 75.00 " Profit and Loss (50 per cent. of loss). 675.00 <hr/> \$ 19,350.00 <hr/>	By Merchandise\$ 8,500.00 " Balance carried down 10,850.00 <hr/> \$19,350.00 <hr/>
(Continued)	To Balance, brought down.....\$ 10,850.00	

B, CAPITAL

To Profit and Loss (25 per cent. of loss)	\$ 337.50	By Cash	\$ 9,000.00
" Balance carried down	8,762.50	" Interest (on excess capital)	100.00
	<u>\$ 9,100.00</u>		<u>\$ 9,100.00</u>
		By Balance, brought down	\$ 8,762.50

C, CAPITAL

To Interest (on capital shortage).....	\$ 75.00	By Cash	\$ 5,500.00
" Profit and Loss (25 per cent.).....	337.50		
" Balance carried down	5,087.50		
	<hr/>		<hr/>
	\$ 5,500.00		\$ 5,500.00
	<hr/>		<hr/>
		By Balance brought down.....	\$ 5,087.50

In effecting a final settlement A would pay \$10,850 into the partnership. The total assets, aggregating \$13,850, would then be distributed—\$8,762.50 to B, and \$5,087.50 to C.

In the event that A proved to have no assets or liabilities outside the partnership, the final adjustment would be modified by dividing the \$10,850 debited to A between the other two partners in the same proportion as the partnership agreement provided for their participation in profits, which in this case would be to charge one-half to B and one-half to C. Their capital accounts, after giving effect to this adjustment, would appear as follows:

B, CAPITAL

To A, Capital (1/2 of Dr. bal.).....	\$ 5,425.00	By Balance For'd	\$ 8,762.50
" Balance carried down	3,337.50		
	<hr/>		<hr/>
	\$ 8,762.50		\$ 8,762.50
	<hr/>		<hr/>
		By Balance brought down.....	\$ 3,337.50

C, CAPITAL

To A, Capital (1/2 of Dr. bal.).....	\$ 5,425.00	By Balance For'd	\$ 5,087.50
		" Balance carried down	337.50
	<hr/>		<hr/>
	\$ 5,425.00		\$ 5,425.00
	<hr/>		<hr/>
To Balance brought down.....	\$ 337.50		

If the second condition existed, final settlement would be effected by turning over the \$3,000 cash to B, who should also receive \$337.50 from C.

CHOOSING the right vocation, and training and developing for the greatest success in that vocation are problems that confront the young men of to-day. For several years, vocational advice has been given to students of the Pace Courses by members of the Pace & Pace staff. The interest shown by the students and graduates in such consultation, particularly when taking new positions, is sufficient evidence that the procedure rests upon a sound basis.

The Pace Vocational Service has now been formally organized and made available to the general public as well as to the student body. It offers to the young man or young woman who desires a scientific and impartial analysis of his or her vocational aptitudes and potentialities, a service that includes expert diagnosis and a program for helpful advice during the process of development and adjustment. In hundreds, indeed thousands, of cases, this service has led to increased productivity and financial return, and, above all, to a greatly increased happiness and joy in the performance of vocational tasks under the conditions of modern organization and production.

In the Vocational Service, procedure is made upon the theory that an expert vocational examination and analysis must be made of the individual who is to be advised. Aside from the determination of details in respect to physical condition, education, experience, and environment, a diagnosis must be made of mental abilities, both in respect to the abilities that are developed and operative, and in respect to the abilities that are potential.

In the selection of an ideal vocation, many problems arise requiring careful thought and sound judgment. Many things may prevent the choice of the vocation that would be, from a purely scientific view-point, the ideal choice. For example, a young man may possess the natural qualifications necessary for success in Mechanical Engineering, but, because of economic circumstances, he may be entirely unable to devote himself to the long and arduous professional preparation necessary to success in this profession under existing conditions. In such a case, an occupation is selected that gives an opportunity for the use of his natural abilities, and one that is practicable for him to pursue.

In the working out of the program of development, many tendencies may develop which call for special advice and control. The Pace Vocational Service, therefore, contemplates not only the original examination and the working out of a full report and program, but a vocational "follow-up" service to be provided to those who

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desire it, at a nominal additional expense.

If you are interested on behalf of yourself, a relative, or a friend, details of the plan and information in respect to the moderate costs that are incident to the service, will be supplied. Requests for information should be addressed to C. Milton Clark, vocational secretary, care of Pace & Pace, 30 Church Street, New York City.

THE adjustment of the college graduate to the business world is a serious problem. At present there is no adequate machinery for getting the ambitious man, just out of college, in touch with the right job. He often has to waste valuable years of his life in getting vocationally adjusted, and the worst feature of the whole situation is that often this adjustment never comes.

Irwin G. Jennings, of the Metropolitan Trust Company, of New York, has suggested the establishment at some central point of a vocational bureau to give the college men much needed information concerning various businesses and professions. Mr. Jennings feels that the bureau should not alone collect complete data concerning business, but should also arrange for the distribution of these data throughout the country, taking especial effort to get them before the college men and the college women.

Working with this central bureau would be a person in every college who would associate with and study the students with a view to determining their characters and vocational aptitudes.

Thus, according to Mr. Jennings's plan, a young man on leaving college will know, not only something definite concerning his own abilities, but also something of the different businesses, and the opportunities offered in them for a man of his training and aptitudes. The bureau will doubtless prevent many vocational misfits.

Mr. Jennings's views seem to coincide to a remarkable degree with the ideals of vocational and placement service that are being worked out by the Pace Organization.

MANY who have read the official Government publications regarding military drills have found considerable difficulty in understanding the technical terms employed. Two books containing essential information on this subject in condensed form have been prepared from the Government publications. These are "The Home Guard Manual," by Lieutenant-Colonel T. F. Donovan, and "The Universal Drill Manual," by Captain E. J. Robbins, both published by The Sherwood Company.

College Graduate and Business

Technical Terms



NE of the commonest ways of securing new business, whatever the nature of the concern, is by means of booklets. These booklets vary widely in kind. They

may be pictorial, descriptive, narrative, explanatory, argumentative, or hortatory; or they may represent a combination of all or several of these tone-qualities. Their purpose, however, is always one and the same—to get new business either at once or eventually. It may be profitable, therefore, to note some of the qualities which business-getting booklets should have.

First, interpret the view-point of the person to be interested—the prospective purchaser. What he needs or will need and how you can serve him should be the main thought running through your mind as you lay out and build your booklet. This dictum does not mean that you should use the pronouns “you” and “your” exclusively, but it does mean that the “you” view-point should overshadow the “we” view-point in what you say and in how you say it.

Second, be logical. Begin at a natural point of contact between yourself and the prospective purchaser; develop your message in a step-by-step manner; and finally arrive at a conclusion which will stimulate the prospective purchaser at least to take a further interest in your services.

Third, be intimate but somewhat restrained in your style. As a general rule, the more intelligent the class of people you are addressing, the more dignified should be your manner of expression. Dignity, of course, does not mean rigidity or stiffness.

Fourth, be simple in your choice of words and phrases, and in your construction of sentences and paragraphs. Avoid heavy words and phrases, involved sentences, and long paragraphs. Simplicity of style makes for clearness—immediate clearness—and is about the highest quality of style which any booklet can have.

Fifth, give the impression of truthfulness and sincerity. The way to give this impression is actually to be truthful and sincere—to say nothing that you do not believe and know to be true. Extravagant claims do vastly more harm than good in securing new business.

Additional suggestions might be

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given. The above, however, being fundamental, are sufficient for the purpose of this article. Note the following excerpts from the business-getting booklets which have proved their worth:

“The granting of equal commercial rights to men and women means the granting of equal commercial opportunities. Men may be divided into two classes—those who, by reason of developed ability, forge ahead to positions of executive responsibility, and those who, by reason of lack of training and initiative, remain groove-fillers for all time. The same outlook faces women in Business. The opportunities for advancement are present; they will greatly increase in number. Whether a woman lifts herself out of the class of routine workers rests with her. Proper training both prepares for opportunities that already exist and creates new opportunities.”

“Until the outbreak of the war, in 1914, France was busy and prosperous. Then followed an upheaval. Any study of her past, however, particularly since 1871, shows her ability to recuperate rapidly from losses inflicted by war, and reveals clearly her industrial strength and her financial elasticity. Suffering the loss of Alsace and Lorraine in 1870-71, with 1,600,000 inhabitants, she was deprived of two fertile provinces of great economic importance and value. This loss was valiantly sustained, and the financial and industrial dislocations caused by the Franco-Prussian campaign were speedily composed. Her creative genius, the great resources of her soil, her application to industry, and her thrift explain her rapid recuperation and progress.”

“Always write with the reader in mind. Try to picture him as he reads your letter. Forget that you are writing, and talk to him. Aim to produce the same effect on him as a conversation would, only bear in mind that it must be done by using about one-fifth the number of words.

“Strive to write so that there is no possibility of being misunderstood. Always use such words, sentences, and paragraphs as will make the very best impression on the reader. The tone of letters should always be friendly, and this

necessitates a pleasant frame of mind on the part of the dictator.

“A letter must be clear, courteous, and concise. The statements must be absolutely correct, and the character of the organization must be clearly evidenced throughout its every line and paragraph. These principles are necessary to a complete letter. They should be borne in mind in all writing.”

“To fulfil your purpose you must know many things about speaking to others—things you can easily master. You must know, for example, the connection between your audience, the occasion, and your subject; the various kinds of matters in which all persons are interested; and the probable mental and emotional experiences of your audience. You must know the use of specific examples and testimony; how to make a definite outline and stick to it; how to enforce what you say by means of attitude, facial expression, and gesture; and especially how to make an effective impression without sacrificing your individuality.”

“Isn't it worth while—this matter of thinking seriously about your personal overtime, young man? Where do you expect to be in the business world to-morrow, next year, five years from now, ten, twenty, thirty, when your shoulders have begun to droop, and you find yourself every day looking forward to settling your tired body in the easy chair in front of the crackling fire on the hearth? What are you doing to ward off stagnation, deterioration, final and downright failure?

“How are you equipping yourself now in the days of your youth to climb the ladder of success, rung by rung? Wherein are you better fitted this month than you were last month for that position ahead which you seek, because its salary is so much better than what you are now getting? Think about these things, think about them hard. And when questions beginning with ‘How’ surge through your mind, see if the answer to them all isn't ‘My Personal Overtime.’”

“Mr. A is example number one of the difference between special value and market value. He is fifty-one years old. For fourteen years he was secretary of one of the smaller Western railroads. He was thoroughly familiar with its policies, problems, and needs. He had taken a useful hand in many matters of financing and operation. He was a

hard worker; he had brains and personality; and his character was above reproach. He filled his position well. His salary was \$10,000 a year, and he was worth it and more—to that particular railroad.

"Then the railroad was merged with a larger one. Mr. A's services were no longer needed, and he was out of a position. He spent a year trying to secure a new position—at first of the \$10,000 kind with some other railroad, then at a salary that steadily became smaller in proportion as his desire to make connection with any kind of business concern increased. Finally, he opened a public garage. Last year he made \$2,100, and he is not interested in his work. He is still in the market for a \$10,000 position—but no concern needs him. His knowledge is of too special a kind."

The foregoing passages from booklets that have been successful business-getters enforce the fundamental points already set forth. These points again are: bearing in mind the recipient's view-point, logic in development of thought, dignity of style, simplicity of style, and sincerity of tone. The booklet-writer who guides his course by these charts will avoid the shoal of unproductive writing.

THE Advisory Board of Pace Institute of Chicago consists of: Herbert Beck, C.P.A., Chicago and New York, of Arthur Young & Co., certified public accountants; Richard W. Boddington, LL.B., secretary and chief examiner, Chicago Title & Trust Company; G. J. Bunting, controller, Chicago, Milwaukee & St. Paul Railway Co.; H. G. P. Deans, vice-president, Merchants' Loan & Trust Company; John S. Field, chairman, board of directors, Consumers Company; M. S. Green, credit manager, Consumers Company; T. B. G. Henderson, C.A., resident manager, Lybrand, Ross Bros. & Montgomery, public accountants; J. K. Laird, C.P.A., resident manager, Scovell, Wellington & Company, certified public accountants; Thos. H. McInnerney, president, Hydrex Company; Archibald A. McKinley, PH.B., LL.B., president, Merchants' National Fire Insurance Co.; F. H. Pearson, secretary and treasurer, Consumers Company; Ernest Reckitt, C.P.A., senior member of Ernest Reckitt & Company, public accountants; William Sutherland, C.P.A., resident manager of Arthur Young & Company, certified public accountants, Chicago; W. W. Thomp-

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son, C.P.A., senior member of W. W. Thompson & Co., public accountants; and Dr. J. J. Tobias, LL.B., Ph.B., chancellor, Chicago Law School.

MARTIN G. WOLF, New York School of Accountancy, is now on the staff of the Field Auditor, Camp Taylor, Louisville, Kentucky. The services of Mr. Wolf on this Government work were contributed by Touche, Niven & Co.

JOHN H. ALLEN, JR., and W. H. HIRSCHMANN, both members of the Pace Organization, have joined the second officers' training camp at Plattsburg. Mr. Allen is trying for the Field and Mr. Hirschmann for the Heavy Artillery.

MR. BITTNER, who was recently placed by the Pace Agency in the Wales Advertising Company, has enrolled in the Coast Reserve and received the designation of second-class Yeoman. Mr. Chester Allen will take Mr. Bittner's place with the Wales Advertising Co.

OLAF A. MANN, staff accountant in charge of departmental methods, eastern group of Bell telephone companies, has accepted appointment as instructor in Accounting of Public Utilities, Pace Institute. Mr. Mann has had extensive experience as an executive in steam railways, electric railways, electric light, telegraph, and telephone companies.

GEORGE E. BENNETT, A.B., LL.M., is now a member of the staff of Pace & Pace. Mr. Bennett has been an instructor in accounting and commercial law in the Dakota Wesleyan University and the White-water State Normal School. His most recent work has been that of director, Department of Business Training, Municipal University, Akron, Ohio.

GEORGE M. HOFFORD, Pace Institute, Extension Division, has passed the examination for associate member in the American Institute of Accountants. In all probability Mr. Hofford will be elected a member. This will give him the distinction of being the first person in the state of Texas to hold a membership in the Institute through written examination.

develop the habit of looking about him widely and of looking far ahead as well. It is the day of the student in commerce."

Mr. Niven himself—though his modesty would not permit him to say so—is a very definite example of the result of his own views on the connection between vision and study. He has always been a student of Accountancy and everything relating to Accountancy, which means every phase of organized Business. He has developed the faculty of interpreting the happenings of to-day in their bearing upon the facts of to-morrow. As a result, Mr. Niven has attained a notable success in Accountancy; and his opinions command a respectful hearing from those to whom thinking ahead is sound business sense.

C. T. TIMBIE, educational secretary of the Pittsfield (Mass.) Y.M.C.A., writes: "For publication in The Pace Student, I thought you might like to know that, since the beginning of your course here in this city, three of our men have been promoted. J. J. Newton has been promoted to a position in charge of the accounting department of the Stanley Electric Manufacturing Company, in Great Barrington, Mass. Fred Connor has taken charge of the accounting department of the Irvington Brush and Insulator Company, in Newark, N. J., and C. Frederick Jaques, of the first-year class, has been promoted to a position in special auditing work in the General Electric Company, in this city. All these promotions have been because of excellent work in their classes."

IRVING A. LINDBERG, Pace Institute, Washington, D. C., writes an interesting letter of his experiences since leaving the school. Mr. Lindberg attended the Washington Institute while he was an accountant on President Taft's Economy and Efficiency Commission in 1911. In 1912, he was called to Nicaragua to install an accounting system for the Republic of Nicaragua. The work was about fifty per cent. completed when a revolution interfered. On behalf of a syndicate of New York bankers who had made a loan to the Nicaraguan government and taken over the customs as security for the loan, Mr. Lindberg entered the customs service. Mr. Lindberg is a registered and certified public accountant of Nicaragua, both in the Spanish and English languages. He is at present collector of customs at Bluefields.

J. B.
Niven,
C.P.A.

(Continued)

Promo-
tions

Aesop
in Busi-
ness—
Guy

THERE was once a young man named Guy. He thirsted after Rapid-fire Success in Accountancy. He believed that, once he had broken into the field, his Ambitions would soon make Competition Run to Cover. His problem was to Break In. There were many No Trespassing Signs.

Guy was not Daunted. He believed in Self-launching. He advocated Pitiless Publicity of Self and Services. He had pursued an evening course in Salesmanship. In it he had learned the importance of "Compelling Attention" at the beginning and of "Prompting Action" at the end of the Interview. He had also Learned that the "Main Idea" must be kept on the Upper Story of the prospective purchaser's Mind.

These and other Psychological Ukases had Rooted Deep in Guy's Subconsciousness. He divined no Reason why they did not apply to selling Services as well as to selling Insurance and Soap. He Acted on His Faith, and called upon an Accountant of Much Experience in the

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ways of Youth and with Beneficent Leanings.

Guy was attired in Gladsome Tailorings. He also Flicked a Submissive Cane. His purpose was to Compel Attention through the Eye. Guy believed in First Trench Attack. Accordingly, he opened his Conversation Fire with, "You Need Me on Your Staff." He spoke in Vocal Capitals.

This Topic-Thought Guy developed in Handsome Detail. He spoke of Young Blood to the disadvantage of Old Blood. He cataloged his High Talents, Real and Undiscovered. He adverted to his wide Knowledge of Men, Methods, and Management. He Proved his Case—to his own Full Satisfaction. Then he Referred to the Matter of Remuneration. His Purpose was to Clinch the Sale.

At this juncture the Accountant

with the Beneficent Leanings summoned his Mental Cohorts and bade them do the bidding of his Will. They had been heavily Beleaguered by Guy's Verbal Artillery. The Accountant noted Admiringly and Aloud Guy's Gifts as a Monologist. He spoke of Vaudeville as a Fitting Habitat for the Same. He Regretted that his own Staff was complete. He also spoke Incidentally of Modesty as a Becoming Gift in one who would make a Favorable Impression upon Others.

MORAL—An Untamed Vocabulary seldom opens the Door of Opportunity in Accountancy.

GEORGE A. KRIS, Accountancy Institute of Brooklyn, recently passed the Civil Service examination for Field Income Tax Inspector.

H. A. ELSON, Graduate College, Princeton, was to have joined the Pace Staff this fall, but has deferred doing so in order to accept a commission in the Army.

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